



INTERNATIONAL OPERATING ENVIRONMENT AND INVESTOR RELATIONS

Master's Thesis
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International operating environment and investor relations

Objective of the thesis

The objective of this study was to understand how the international operating environment influences investor relations (IR) communication. International operating environment is a wide concept. Therefore, certain elements which may affect the IR within the international concept were specifically chosen to be further investigated under this thesis work. These elements include culture and language, regulation, channels and genres and their influence on IR work. Additionally, any possible future challenges that the IR (within the international environment) may face were looked into this thesis work. These elements were also addressed in the four research questions of this thesis.

Methodology

This study adopted a qualitative research design. Empirical data was gathered through semi-structured interviews with three investor relations officers (IROs), two equity analysts and two other professionals in the IR field. Two of the surveys were conducted in London, the UK and five in Helsinki, Finland.

Findings and conclusions

The findings of the study confirm the importance of two-way communication and trust building in IR profession with the management and investors and other stakeholders. The international environment is highly competitive field and in order to be successful, it is important to know the investors of a company. In Finland the companies are small or medium size and that is one reason why they need to put more effort in IR activities when seeking foreign investors.

Based on the findings the professional culture in financial sector was seen stronger than national culture, due to a fact that IR is a field that is highly regulated. Hence the knowledge of different cultures and languages had seen as a competitive advantage. National culture is shown also how the investors require tailored service and how they value disclosure. And the IRO needs to have current knowledge of constantly changing rules and regulations affecting their work duties, such as Securities Markets Act and the Market Abuse Directive.

Key Words: Investor relations, IR communication, international environment, international business communication

Kansainvälinen toimintaympäristö ja sijoittajaviestintä

Tutkimuksen tavoitteet

Tutkimuksen tavoitteena oli ymmärtää, kuinka kansainvälinen toimintaympäristö vaikuttaa sijoittajaviestintään (IR-viestintä). Kansainvälinen toimintaympäristö on laaja käsite. Tästä syystä tämän tutkimuksen tärkeimmiksi tutkimuskohteiksi valittiin tietyt tekijät, joiden voidaan ajatella vaikuttavan sijoittajaviestintään kansainvälisessä viitekehyksessä. Nämä valitut tekijät ovat kulttuuri ja kieli, sääntely, välineet ja tyylilajit (genret) ja näiden vaikutukset IR-työhön. Lisäksi tässä tutkimuksessa käsiteltiin mahdollisia sijoittajaviestinnän tulevaisuuden haasteita (kansainvälisessä toimintaympäristössä). Tämä tekijät tuotiin esille myös neljässä tutkimuskysymyksessä.

Tutkimusmenetelmät

Tässä tutkimuksessa käytettiin laadullista tutkimusmenetelmää. Tutkimusaineisto kerättiin teemahaastattelujen avulla. Tutkimuksessa haastateltiin kolmea sijoittajasuhdejohtajaa, kahta analyytikkoa ja kahta muuta sijoittajaviestinnän parissa työskentelevää ammattilaista. Kaksi haastatteluista tehtiin Lontoossa, Isossa-Britanniassa ja loput viisi Helsingissä.

Tutkimuksen tulokset ja johtopäätökset

Tutkimuksen tulokset vahvistivat kahdensuuntaisen viestinnän ja luottamuksen rakentamisen tärkeyden yrityksen johdon ja sijoittajien ja muiden sidosryhmien kanssa. Kansainvälisessä toimintaympäristössä kilpailu on kovaa ja siinä onnistuakseen on tärkeää tuntea yritykseen sijoittavat tahot. Suomessa yritykset ovat pieniä tai keskisuuria ja siksi heidän tulee osaltaan panostaa erityisesti sijoittajasuhteisiin, jos haluavat saada kansainvälisiä sijoittajia.

Tulosten perusteella voidaan sanoa, että rahoitusosalalla ammattikulttuuri on voimakkaampi kuin kansallinen kulttuuri, johtuen varmasti osaltaan siitä, että ala on hyvin säännelty. Kuitenkin toisten kulttuurien ja kielten tuntemuksella voidaan saavuttaa kilpailuetua. Kulttuuritausta näkyy myös siinä miten eri markkinoilla ollaan totuttu henkilökohtaiseen palveluun ja kuinka tärkeänä talouslukuja pidetään. Sijoittajaviestinnän henkilöillä tulee olla ajantasaista tietoa kaiken aikaa muuttuvasta sääntelystä, mikä vaikuttaa heidän työtehtäviin, kuten esimerkiksi Arvopaperimarkkinalaki ja Markkinoiden väärinkäyttöasetus. Sijoittajat

Key Words: Sijoittajasuhteet, sijoittajaviestintä, kansainvälinen toimintaympäristö, kansainvälinen yritysviestintä

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1. INTRODUCTION

There has been a remarkable change in the Finnish companies' ownership structure since the 1990's (Tienari & Meriläinen, 2009, 54). Until then, most of the Finnish companies were still in domestic ownership (Tienari & Meriläinen, 2009). One landmark in this path was the development and creation of investor relations (IR) communication, which became its own profession in the 1990's. Another important factor was the creation of the Finnish Securities Markets Act, which came into force in 1989 as well as welcoming of the foreign ownership in Finnish companies in 1993 (Mars, Virtanen and Virtanen, 2000, 9). Furthermore, during the past two decades, globalization of capital markets and the explosion of communications technologies has influenced the IR communications (Higgings, 2000, 33), which, undoubtedly, has had its impact on the Finnish IR and eventually, the ownership structure of the Finnish companies.

When investigating these changes during the past 20 years, one can easily understand that a relatively new international environment has influenced the IR communication. The purpose of this thesis is to examine how the international operating environment affects the IR communication.

According to Tienari and Meriläinen (2009, 55), foreign investors were very much welcomed to the Finnish companies in the 1990's when Finland was suffering from recession. They continue that in this connection these investors introduced new business and management methods, such as focusing on certain big profit businesses instead of running a business on several different sectors. In fact, these new investors had an impact on the transformation of the Finnish companies, which was depending on the level of their activity and demands (Tienari and Meriläinen 2009). Even though the biggest turning point for Finnish IR was experienced in the 1990's, one could say that even today the effects of international operating environment on a company level are influenced by the kind of new foreign owners the companies receive.

For the purposes of evaluating various implications of IR within the international concept, an interview with chosen Finnish investor relations officers (IRO's) and

Finnish analysts were conducted. The interviewees were asked how, among others, in their view, international investors differ from the domestic ones and also does this influence the IR work. Additionally, and to get a benchmark for the Finnish interviews, two British IR experts were interviewed on these questions as well. Traditionally, London is deemed to be the centre of the European capital markets. One of the British interviewees argued that often London and British IR are seen as best practice in IR field, which makes that for the purposes for this study it is interesting to compare the British and the Finnish IR in the light of the subject of this study.

Another aspect in the global environment is, inevitably, the effect of communication in different languages which again, is closely linked to possible collision of different cultures and the rules and legislations of different countries. As Virtanen (2010, 282) explains, the common IR communication language in Finland is currently English and also that the IR profession requires knowledge of different cultures and legislations. In terms of understanding the changes and challenges that the international environment has brought to the IR communication, this topic was also discussed with the interviewees.

Since the purpose of this thesis is to look at IR in the light of international environment, it is also important to know what the relevance of the international investors within the Finnish companies is. The following Figure 1 presents equity ownership of Finnish companies in 2015. The foreign ownership of the Finnish companies was 47 per cent at the time. The percentage of the foreign ownership varies yearly. For instance, based on the statistics as of 31 March 2018, the foreign ownership was slightly lower i.e. 42.84 per cent (Euroclear Finland). As these figures (47 / 42.84 per cent) show, the international ownership in the Finnish companies is significant. Generally speaking, a wide investor base is preferable for most companies and foreign investments are usually always welcomed especially in the Finnish market, where there is limited amount of domestic investors.

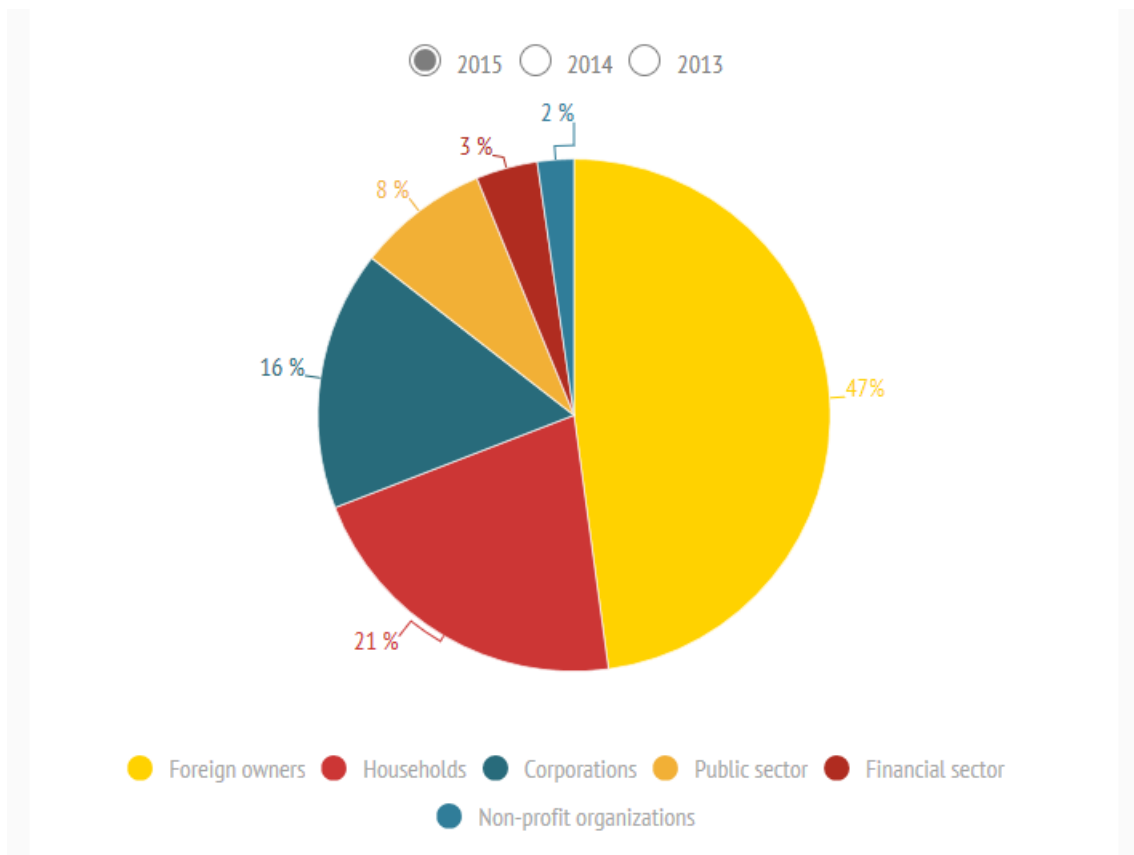


Figure 1. Equity ownership of Finnish companies. The foreign ownership in 2015 was 47 %. Source: Pörssisäätiö (Euroclear Finland)

There are several scholars that have researched the IR work. However, the link between the international environment and IR has not yet been studied so much, especially from the Finnish point of view. Finland is a small market and the Finnish companies have a natural desire to seek foreign investors, which makes that this is an interesting subject to study.

1.1 Research problem and research questions

This section introduces the research problem and research questions of this thesis. The main objective of this thesis is to examine how the international operating environment influences IR communication. What are the issues that must be taken into account when practicing IR internationally? More specifically, the following questions are being addressed in this thesis:

RQ 1: How does the culture and language influence the IR work?

RQ 2: What kind of regulation affects IR – transparency and disclosure?

RQ 3: Are there differences between channels and genres used in different markets?

RQ 4: What challenges there are in IR's development in an international environment?

International operating environment is a wide concept and there are many elements affecting it. The main themes of this study are internationality, communication and investor relations. As this study has a limited scope, the above listed research questions have been specifically chosen for this study. Language is traditionally speaking the basis of communication. Language is part of culture and, again, language and culture are essential when dealing with communication within the international concept.

IR is a heavily regulated field of communication. In order to understand the framework of regulation, this study shall look into certain basic disclosure requirements and from an international point of view, discuss differences between markets as well level of communication.

Channels and genres are basic tools used in IR. In this study it was interesting to evaluate if the use of these tools differed in international versus domestic markets. IR field is in constant change that is why it is interesting to discuss what kind of challenges the field may face in the future.

1.2 Structure of the thesis

This thesis is divided into six chapters. Chapter 1 is the introduction which briefly presents background of the thesis and the motivation for the work. It also introduces the research objectives and questions of the study. Chapter 2 presents the literature review which is divided into two main topics: investor relations and the international environment which are the two key issues in this study. Chapter 3 discusses the methodology of this study, data collection and presentation of interviewees. It also discusses the trustworthiness and quality of the study. Chapter 4 presents the main findings of the study. Chapter 5 discusses the findings in the light of earlier studies presented in the literature review. Finally, Chapter 6 concludes this research and its results and recommendations. Furthermore, the last chapter discusses the limitations of the study and gives suggestions for further research.

2 LITERATURE REVIEW

The purpose of this chapter is to present the theoretical background relevant to the present study. The literature review is divided into five sections. The first section discusses literature on investor relations (IR) in international environment. The second section concentrates on cultural issues. The third section introduces regulation linked to IR. The fourth section focuses on genres and channels. The fifth section looks at how the IR work can be evaluated and what challenges it may have. Finally, the sixth section will conclude with a theoretical framework.

2.1 Investor relations

Since the theme of this study is related to IR, it is important to understand the meaning of IR and what is the purpose of IROs in companies. This section will review the concept and goals of IR: how IR is defined and understood in the relevant literature. Secondly, this section looks into the target groups and stakeholders of IR and their two-way dialog. The final part of this section will discuss the roles of IR.

2.1.1 Concept and goals of IR

The leading association for investor relations officers NIRI (National Investor Relations Institute, USA) defines investor relations as:

“a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company’s securities achieving fair valuation”

(Laskin 2009, p. 210; Hoffmann & Fieseler 2012, p.139; Koskela & Kuronen 2014, p.198).

The CEO of NIRI, Louis M. Thompson further crystallizes that investors simply need to know how a company makes money (Allen 2002, p. 210) and obviously IR's task is to help the investors to receive this information, to be a messenger of a company.

One of IR's goals is to grow corporate value. According to Virtanen (2010, p.27), a company is correctly valued when the management's fair value is as close as possible to the market value. Furthermore, according to Ikäheimo and Mouritsen's (2007, p.76), IR nowadays is a communication activity between a company and the financial community which balances between fair value and market value. This gap is a goal that is always important for IR to fulfil. This is further explained and described in the following Figure 2.

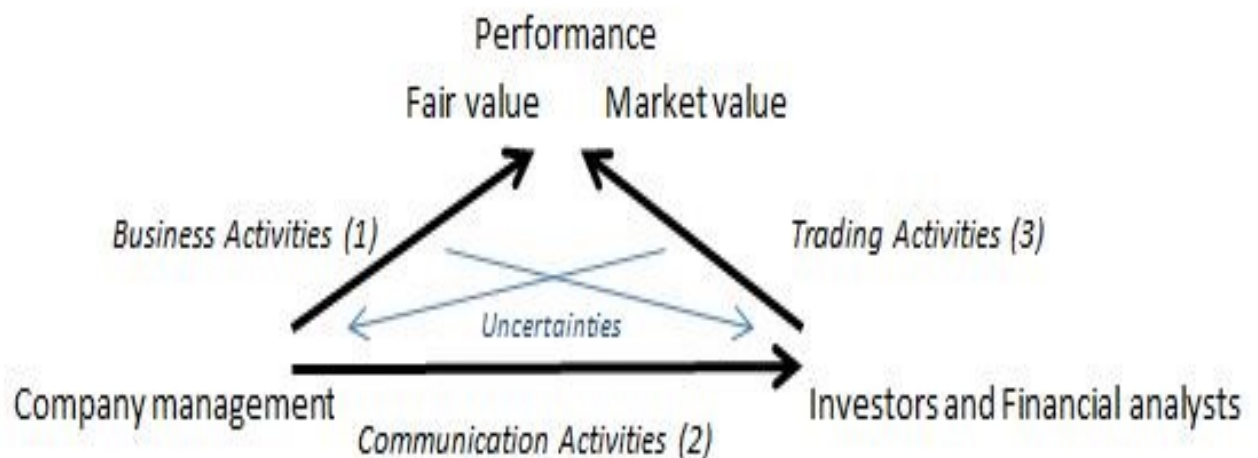


Figure 2. The communicative role of IR between fair value and market value by Ikäheimo and Mouritsen (2007, 67)

In Dolphin's (2003, p. 36) study, the findings showed that investor relations function could be established in four different locations:

- 1) separate investor relations department,
- 2) corporate finance division,
- 3) legal department, or
- 4) communication department.

Dolphin's study shows the diversity of the IR profession. It depends on a company how the IR function arranged in a company.

Laskin's (2009, p.224) survey suggests that IR is still largely treated as a financial function. He also argues that it is crucial that IROs should have a background in strategic communication as their duty is to manage effective communication and enhance the corporate value. Laskin (p.225), again, emphasizes that both financial knowledge and communication skills should be integrated in IR.

According to Bushee and Miller (2012, p.868), the goal of IR is always on attracting institutional investors. The firm visibility creating methods, such as disclosure, media and analysts, vary depending on a company type (p. 893). Surely, it is understandable that there are differences between different types of companies. If a company is a worldwide well-known consumer brand, the investors may be different than e.g. in a company in a very specific industrial sector, where special knowledge within that sector is needed to make a well-grounded investment decision. Bushee and Miller (2012, p.893) continue that these key methods of IR process are direct access to management and firm visibility. This is obviously of crucial importance if a company wishes to solicit foreign institutional investors in contrast to, e.g., small companies, which may not have the same target.

Laskin (2011, p. 304) has identified four areas that contribute to investor relations which are: securities valuation, trading volume/liquidity, analyst coverage, and relationships with the investment community.

Hoffmann's and Fieseler's study (2012, p.149) showed that the quality of the IR department is an important non-financial factor of the company. The quality is built on the IR department's staff, instruments and activities (Hoffmann & Fieseler 2012, p.149). Recruitment process for new IR professionals must have ambitious goals, Hoffmann and Fieseler (2012) continue. Hoffmann, Tutic and Wies (2011, p.323) emphasize diversity of experts in the IR team. They point out that IR team's diverse educational background translates as higher quality and reduces shareholder activism (Hoffmann &

al. 2011, p.312). Ongoing training with competent staff is a key success factor to build a good IR team who has competence and experience (Hoffmann & Fieseler 2012, p.149).

The above referred studies show that even if the work of IR is often subject to a strict regulation and rules, it is important for a listed company to have and maintain an IR department that has current and in-depth knowledge in the subject area.

2.1.2 International target groups, stakeholders and dialog

IR is a field that interacts with several different stakeholders and has many target groups. It could be argued that these groups are more or less the same as the target groups and stakeholders of a company itself. E.g. Mars, Virtanen and Virtanen (2000, 93-104) list several IR target groups, such as institutional investors, private investors, analysts, media, personnel, customers, suppliers, partners and government officials. Furthermore, Cornelissen (2008, 41) lists important stakeholders to strategic management: customers, employees, investors, suppliers, distributors, shareholders, local communities, political groups, government and trade associations. In other words, the target groups and stakeholders of IR consist of a vast pool of entities and even private people, which also means that the work of IR must address very different recipients and hence makes this work more complex.

When a company goes public, its stocks are available to everyone. According to Mars et al. (2000, 93), owners of a stock exchange company are easily very heterogeneous as sizes, characters, goals, nationalities and many other things vary. These verifications make the field of IR very interesting and demanding. Mars et al. continue explaining that even though one of the ultimate targets of IR communication is definite neutrality, in practice, different stock owners are valued with different importance. This is further shown by the stakeholder salience model (Cornelissen 2008, p.46) which describes the importance of different stakeholders for a company and indicates that not all the stakeholders are valued the same.

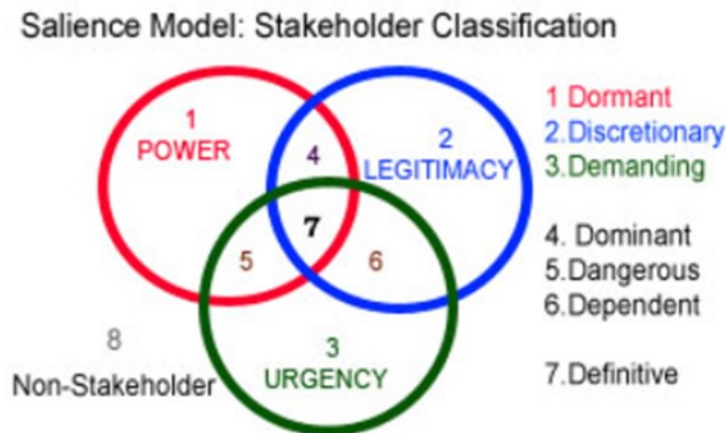


Figure 3. Stakeholder salience model. Cornelissen (2008, 46)

In the above model by Cornelissen, group 7 consists of definitive stakeholders, which are positioned in the centre point of the figure having power, legitimacy and a need for urgency. In IR, institutional investors could be considered to be part of the definitive stakeholder's group of this model, even if based on Mars et al. (2009, p.95), these institutional investors are rarely participating in a company's management. This is because they typically wish to maintain a freedom to buy and sell any shares and wish to avoid too much of commitment (Mars et al., 2009, p.95). Mars et al. (2009, p.95) continue that institutional investors typically have plenty of assets and especially foreign institutional investors are big owners in the Finnish companies. This was also earlier shown by Figure 1 of this thesis, however not making a differentiation between institutional and other foreign investors. The fact that foreign institutional investors have remarkable assets to invest and since they may not be committed to the company on a long-run, makes that they are an important target group for IR to serve.

Hoffmann and Fieseler (2012, p.150) emphasize the importance of stakeholder value, how the business depends on the cooperation of the key stakeholders such as customers, employees and public authorities. They argue that the capital markets, in fact, value a company's overall reputation and public opinion.

On stakeholder relations, there are more aspects than just financial reporting. The IR function has the responsibility to communicate the overall image of the company which

includes branding, employee and customer satisfaction, customer service, employee turnover, and lobbying (Hoffmann and Fieseler, 2012, p.150).

2.1.3 Roles of investor relations

According to Ikäheimo and Mouritsen (2007, 67), the investor relations concept highlights a two-way communication between various stakeholders. They emphasize that the IR activities include all the relations between a company management and investors, both direct and indirect, which influence the relationship.

Also, Laskin (2009, p.227) argues that mixed motive and two-way communication are the clue in IR profession. Laskin (2009) explains that IROs have dual job: an IRO provides information to the company about the investors and also serves the investors and analysts by giving them reliable information about the company. For the company, it is always better, the more IR serves the investment community, because it reduces uncertainty and decreases investors' risk premium (Laskin 2009, p.227).

Another important feature in IR communication is trust and trust building in a long-term. Tuominen (1997, p.51) explains that trust has always been an essential in building relationships and in IR, where the future expectations play an important role, trust is of crucial importance. Furthermore, Tuominen (1997, p.50) explains that even if trust is built on past common experiences, it is *"simultaneously directed towards the future of the relationship"*. Tuominen further stresses that trust, in fact, is a key for investment to occur. Also Laskin (2009, p.209) reminds that trust can only be built through reliable and open communication.

Koskela and Kuronen (2014, p.198) summarizes that nowadays investors require more communication, more transparency, and more access to companies than before. Also, Tienari and Meriläinen (2010, p.69) state that global investors demand continuing information from the corporation for making their investment decision. This is why the IR has gained an important role in listed companies. Globalization also means that

“investor never sleeps”, somewhere in the world the stock market is always open and this will demand more on IR resources (Mars & al. 2000, p.203).

Tienari and Meriläinen (2010, p.55) point out that it is important for corporations to focus on the area of business they know the best and which have best prospects for the economy and also which gives the best profits. These are the principals that both international and domestic institutional investors value the most. Finally, Tienari and Meriläinen (p.70) conclude that together with IRO's and investors, the value of different kinds of analysts has also grown in the global economy. Consequently, it can be argued that, due to this development, there is a need for multi-skilled professionals. Hoffmann, Tutic and Wies (2011, p.323) advise IROs to be cross-trained with both finance and communication.

According to Mars et al. (2000, p. 202), as the globalization is an opportunity, it also brings great challenges to IR as the competition spreads. The analysts and institutional investors must specialize themselves into very narrow segments and IROs must then find the ones that are interested in their own companies. On the other hand, Mars et al. (2000, p. 202) continue that the globalization has also enabled institutional investors to invest cross-border more easily, when for example, joint currency Euro has removed currency risks in many European countries.

The IR function's focus when publishing news is to explain how the additional information is connected with the overall development of the business and what impact it has on shareholder value (Hoffmann & Fieseler, 2012 p.150).

On the basis of the above-mentioned scholars, it seems that IR may have various different roles. This, again, is or at least should often be subject to the needs of an investor and again their needs may depend on whether the investor is domestic or foreign.

2.2 Culture and language in IR

Some of the main themes of this study are internationality, communication and investor relations. Language is traditionally seen as the basis of communication. It is part of culture and, again, language and culture are essential when dealing with communication within the international concept. This section presents the theories and earlier research on how culture and language have influenced IR communication. Culture is broad term which consists several areas such as social habits, art, music, religion and language. As this thesis was prepared from Finnish companies' point of view (however, taking into consideration the UK interviewees), the language issues are discoursed separately from culture.

2.2.1 Culture

Neuliep (2006, p.46) citing Edward Hall states that even though people are born into a culture, it is not innate. He continues that culture is learned and it teaches how to think, how to feel, how to act and especially, how to communicate with others. Würtz (2005) also cites Hall's popular cultural framework, where all cultures are situated in relation to one another through the styles how they communicate. She explains that in low context cultures the communication occurs through explicit statements in text and speech. Low context cultures include Scandinavian, German and Swiss cultures, Würtz explains. Würtz continues that in high context cultures such as Japanese and Chinese cultures, other communicative cues such as body language, face-to-face communication and other non-verbal communication are in an extensive use. High context cultures rely on the recipient's ability to comprehend the meaning from the context as the language is indirect, non-aggressive, and vague (Würtz).



Figure 4. Hall's cultural framework: High context and low context cultures. (Hall, E. & M. Hall, 1990).

Even if Finland is not specifically listed in Hall, E. and M. Hall's table (1990), it may be claimed that financial sector is somewhat similar to that of the Scandinavian countries and correspondingly Finland would also have a low context culture as shown by the table. It is noteworthy that England is placed in the middle of the table. Also, the interviewees of this study often parallelized the culture of Finland's and Scandinavian's financial sectors. Surely the fact that Nasdaq Helsinki is part of Nasdaq Nordic influences that the culture in this sector is rather convergent.

Würtz (2005) also cites Geert Hofstede's (1980) dimensions of cultural variability. Two of these Hofstede's dimensions are the collectivism versus individualism and power distance. According to Würtz, this correlates with Hall's theory, whereby high context cultures are often collectivistic and low context cultures individualistic. Also cultures with high power distance correlate with high context cultures. Würtz itemizes that high power distance contain many hierarchical levels, autocratic leadership, and inequality. These are also associated with high context cultures, such as Japan. Würtz continues to describe low power distance cultures having flat organizations, consultative and participative management style, and equality prospect. These are typical in low context cultures also, such as in the Scandinavian countries.

Stulz and Williamson (2003, p. 346) find relation between culture and investor rights. According to their study, culture, in fact, affects investor protection. In Catholic countries the creditor rights are significantly weaker than in other countries. Consequently, Stulz and Williamson claim that openness reduces the negative influence of religion and culture.

Ikäheimo (2013) pointed out differences when looking at the future prospects of companies' financial reports. In Anglo cultures, the financial reports contained a large amount of future prospects, whereas in Latin cultures, the emphasis and amount of future prospect is remarkably lower. Furthermore, in the Common law countries, there is a remarkable amount of future prospects, whereas in the French origin code law, there is a lot less. In other words, it is interesting to note that there is a correlation between the cultural background and the legal system, where both Anglo cultures and Common law countries have a strong focus on future prospects, which is of less importance in the Latin cultures and French origin code law.

In connection with the interviews, it also came up that the importance of face-to-face meetings with a company representative is dependent on a culture in question. Obviously, all investors value and wish to meet and hear what a company management has to say about the company's results and prospects. Even though the industry culture in the financial sector is more important than national culture and even if, generally speaking, the investors are said to be similar despite of their origin, there is always some room to make a difference, to go extra mile and to take into account the national cultural differences. Companies and their IR should see this as an opportunity to create corporate value and enhance the company image.

Since IR is a heavily regulated field and in the light of the above referred study, culture cannot be ignored in connection with IR either. However, as the interviews conducted in connection with this thesis reveal, the effect of national culture is somewhat limited.

2.2.2 Language

According to Virtanen (2010, p.282), English is the most common communication language in IR. Most of the Finnish companies make press releases in English first and then translate them into Finnish. However, Virtanen (2010, p.282) points out that it is important to remember that in Finland the official language of stock exchange releases is still Finnish and any translations need a lot of attention. Sometimes the stock exchange releases may contain translation mistakes and consequently companies need to publish new releases to correct them. Preparing releases in many languages is time-consuming for many companies as the message and the facts need to be the same no matter of the language.

Virtanen (2010, p.282) also points out that for an IR person, other than native language skills would be an asset. Understanding other cultures is obviously part of that skill. IR is a field that tries to attract investors. One way to attract foreign people would certainly be able to communicate and serve with their native language (and to understand their culture) and this is undoubtedly true with IR as well.

Bruce (2014, p.319) distinguishes text and discourse from the language. He explains that text is a written record on the page, as discourse is also a social and cognitive operation surrounding the written record. Surely in IR work both genres are used and the IROs need to understand them both well.

2.3 Requirements of IR and regulation

In connection with this study, it should be noted that transparency in different jurisdictions may have different implications. For instance, when comparing the UK and the Finnish markets on the basis of the interviews conducted in connection with this study, it can be noted that in Finland, there would seem to be more transparency than in the UK (though opposing arguments have also been made). One practical reason for this may be that the Finnish market is somewhat small and does not have a long history, which makes that there is a will to make the market more attractive to foreign investors.

Transparency, among other things, serves well this purpose. On the other hand, the UK market is more established and has a long history with a vast pool of investors, which makes that there may not be equally strong need for transparency. Transparency is based on and supported by the applicable legislation in various jurisdictions. In the following and in order to better understand the context of disclosure duties, the Finnish regulatory framework and certain specific points of the foreign systems shall be briefly looked into. An in-depth research of the Finnish IR related regulation is outside the scope of this study.

This section looks at what type of regulatory requirements IR faces. Subsection 2.3.1 focuses on Finnish regulatory aspects. Subsection 2.3.2 briefly addresses certain interesting international regulatory differences.

2.3.1 Finnish regulatory framework in IR

The regulation that needs to be considered in connection with IR relations is largely based on disclosure obligations. The purpose of the regulation covering disclosure obligations is to ensure that the investors have adequate information available on things that are likely to impact the value of the securities. It enables the investors to make a justified estimation on listed companies and their shares and to promote the transparency of a listed company.

In Finland the principal legislation for this purpose consists of both national and international rules and regulations, including, among others, the Disclosure Directive (TD/TDA), Market Abuse Directive (MAD/MAR), the Finnish Securities Markets Act (Fi: *Arvopaperimarkkinalaki*, 746/2012), VA 15372007, the Finnish Accounting Act (Fi: *Kirjanpitolaki*) and decree, Helsinki Stock Exchange Rules as well as the standards by the Finnish Financial Regulatory Authority. In the following the Securities Markets Act as well as the Market Abuse Regulation shall be briefly looked into.

The Securities Markets Act

The Securities Markets Act (SMA) governs the issuance of securities to the public, the disclosure obligation on the securities markets, takeover bids, prevention of market abuse and supervision of the securities market (Chapter 1, Section 1 of the SMA). For the purposes of the IR, the SMA contains rules and regulations on, among others, stock exchange releases.

Chapter 1 contains general disclosure provisions, whereby the SMA prohibits to act against the good securities markets practice. What good securities markets practice in fact means is a something that is, in one hand defined by legal scholars and the decree of the SMA itself and finally, by court proceedings. According to the Government proposal to the Parliament for legislation regarding the securities markets (HE 32/2012), the prohibition to act against the good securities markets practice regards, among others, the fulfilment of the disclosure duty, which may include marketing. The Government Proposal also suggests that even road shows may be deemed as marketing. This is an important issue to notice for the Finnish IR.

Pursuant to the Government Proposal, the good securities markets practice means the principles and provisions that those acting in the securities markets deem right and reasonable sales practice from the view of all clients and operating parties.¹

Additionally, the SMA prohibits to give false or misleading information when fulfilling the disclosure duty (Chapter 1, Section 3). Pursuant to the Government Proposal, this provision shall cover, equally with Section 2 referred to above, all parties that act in the

¹ In the event that there is no detailed provision regarding the good securities markets practice, the markets and procedures that are applied in single contractual relations and legal acts apply. Also, the self-regulation of the securities markets plays an important role in this respect. For instance, the NASDAQ OMX Helsinki Oy rules and regulations, Corporate Governance Code as well as the recommendations by the Finance Finland (FFI).

However, as already noted, the meaning of good securities markets practice in a single case is defined in the legal practice.

securities markets and would also apply to financial instruments. False information shall mean explaining or presenting of certain things in a false or distorting manner, which shall be evaluated objectively according to the time of when the information was given. Finally, the SMA also provides that there is a duty to keep equally available to the investors information on factors that may have material effect on the value of the security.

From the view of IR work, it is important to note the ongoing disclosure obligations and their applicability. Chapter 6 of the SMA contains ongoing disclosure obligations, whereby a security issuer that is admitted to trading on a regulated market shall, without undue delay disclose all of its decisions as well as other factors regarding the issuer and its activities which may materially impact on the value of the security in question (Chapter 6, Section 4).²

The Market Abuse Regulation

The Market Abuse Regulation (EU) N:o 596/2014 (MAR) and the Directive on criminal sanctions for market abuse 2014/57/EU (MAD II) came into force on 3 July 2016. The MAR is directly applicable in Finland. The MAD II has been implemented into national Finnish law.

The MAR governs market abuse, such as insider dealing, unlawful disclosure of inside information, market manipulation and public disclosure of inside information. MAR will also impact the IR work in view of disclosure duties and insider information and this was also mentioned by one of the interviewees of this study (IROF1).

² Based on the Government Proposal, this provision shall not apply to the marketing of securities. In the securities marketing communication it may not, due to the marketing channel used in marketing communications, or the space in use or lack of certain information be possible to give such adequate information on the securities or their issuer that would fulfill the requirements of this provision.

2.3.2 International regulatory aspects

In the above, this thesis looked into certain regulation implemented into the Finnish law. The purpose of this subsection, however, is to briefly have a look at the relevant literature and scholars on a more general level when they are comparing certain regulatory requirements, including a comparison of Common and Civil Law countries and Catholic and Protestant countries.

Beattie, Dhanani and Jones (2008, p. 191) point out that in respect of financial reporting, there are differences in the regulatory framework even between the common law countries. In the UK it is more principles based compared to the US, where the approach is more rules-based, which means that there are more detailed rules. Bruce (2014, p. 316) explains that in the UK, the annual report which is called Operating and Financial Review, is published under the guidelines of the British Accounting Standards Board. Bruce continues that in the US similar annual report is submitted to the Securities and Exchange Commission.

Stulz and Williamson (2003, p.347) point out that in the common law countries managers and boards can be sued more often because they have more flexibility than they do in the civil law countries. Stulz and Williamson continue that this freedom in common law countries has a cultural basis, legislators have made this cultural choice for more freedom.

Stulz and Williamson (2003, p. 315) have evidence in their study that religion, language, and legal origin all have an influence in enforcement of rights. They argue that in the the Catholic countries the enforcement of rights is weaker than in Protestant countries.

2.4 Genres and channels used in IR

Genres and channels are basic tools used in IR. The present section introduces genres of written IR tools and what channels are used in the IR field. The use of these genres and channels depends on a company's target and vision. Companies vary from each other on their target groups and stakeholders. Genres include written IR tools i.e. reporting tools and channels consist of other means of communication, including various meetings and events.

2.4.1 Genres in written IR tools

Virtanen (2010, p.136 -) lists the following written tools of IR: stock exchange releases, financial reports and reviews, profit forecasts and warnings, financial statement releases and internet pages including investors pages and company information pages and also new tools: blogs and social media. According to Crawford Camiciottoli (2010, p.346), well-established written financial genres include annual reports, CEO's letters, Chairmen's statements and press releases. Also, the digital technology's development has established new web genres, for example, e-advertisements, e-newsletters, e-releases, blogs, podcasts and chatrooms (Garzone et al. 2007 cited Crawford Camiciottoli 2010, p.344). Obviously, the constant technology change makes that the work needs to quickly adopt new working methods. Then again, from an internet point of view, this development can be a valuable asset as it diversifies and eases the communication methods used in cross-border especially when no face-to-face meeting can be held.

Listed companies cannot decide themselves what they want to communicate (Mars, Virtanen and Virtanen, 2000, p.26). All the issues released are regulated and are same to all companies (Mars et al., 2000, p.26). As the IR is highly a regulated field, the IR genres are easily similar in companies operating in the same field. This obviously helps the investors and analysts that follow a certain field, as certain information found from certain documents and from a pre-determined part of it.

Bruce (2014, p.316) claims that the principal genre of corporate disclosure is the annual report because it is required in many countries. Koskela and Kuronen (2014, p.203) argue that there are variations in disclosure policy genre and it can be called a hybrid genre. They explain that these variations take place depending on the company and its communication history and routines. They continue that the variation of the audiences, functions (internal or external), organizational and social practices, professional or generic contexts influence the genre variations.

Bruce (2014, p. 316) points out that annual report is a genre that has been subject to an extensive research because it is a central mandatory report. Beattie, Dhanani and Jones (2008, p.219) also note that annual report genre has changed from a regulated financial document into a more promotional document and also grown in length.

Graham's, Harvey's and Raigopal's (2005, p. 13) study shows that earnings is the most important financial metric. They continue that it is important that these earnings benchmark for the same quarterly earnings a year before and also that they meet the analyst consensus estimate (Graham et al. 2005 p.5). Graham et al (p.5) also emphasize that smooth earnings are a preferred objective because it is then easier for the analysts to predict future earnings. Graham et al (2005, p. 27) point out that managing earnings is also important when motivating other stakeholder groups like customers, suppliers and creditors, who might need more reassurances about the firm's prospects. These kinds of companies are often small, young, in the technology industry, and not profitable.

International environment has changed IR. The meaning of different types of online medias has gained an even more important role in the era of Internet (Virtanen, 2010 p. 79). Also, social media, such as Facebook and Twitter, even if not used as a particular tool or channel by a company, may spread information (by a third person) on a listed company in a way that may even be false (Virtanen, 2010 p. 79). In the light of the recent development of social media, such as the use of media in order to affect public opinion and polls (e.g. case Cambridge Analytica), it has been noticed that the effects of the social media cannot be predicted. In other words, underestimating the importance of social media and its communication tools may affect any company.

Digital technology and new internet applications have opened new possibilities to companies' IR communication at relatively low costs (Crawford Camiciottoli 2010, p.344). Crawford Camiciottoli (2020, p.345) gives an example how the annual reports have changed when they are now published through internet: narrative sections, colorful images and sophisticated graphics have made them much more attractive for more users.

2.4.2 Events as channels of IR

The tools used in IR also consist of live events of communication. According to Virtanen (2010, p.180-), these classical channels are conference calls, stockholders' meetings, roadshows and Capital Markets Days. Laskin's (2009, p.218) study shows that the most popular activities of IR were roadshows, presentations and conferences. Laskin also mentions one-on-one meetings and negotiations to be important events for shareholders, analysts and stockbrokers.

New digital technology has changed the need of live events and meetings as well. Spoken communication has changed from live meetings to earnings calls which often are also webcasts (Crawford Camiciottoli, 2010, p.354). This makes it possible for large audiences to follow them and makes it possible for analysts around the world to participate and pose questions receiving immediate answers. Also, Crawford Camiciottoli (2010, p.344) citing Garcés-Conejos Blitvich (2007) refers to the 9/11 after-math, where companies take security concerns more seriously. He also claims that this is one of the reasons that, as a practical example, teleconferencing based conference calls have greater significance nowadays.

Even though new technologies have given IR more tools to use and work more efficiently, traditional methods of communication, such as live meetings have not lost their position. Especially when looking at different cultures (as further explained under subsection 2.2.2), the traditional face-to-face live meetings are important in many cultures.

2.5 Challenges and evaluation of IR

This section looks at what challenges the IR work may face and how to evaluate the IR work. Nowadays the field of IR entails many tasks from understanding CSR (corporate social responsibility) to knowing company's business details, comprehending the financial figures and having a capacity of good communication. Hoffmann, Tutic and Wies (2011, p.323) find that *"diverse educational background has a positive influence on IR quality"*. One person to have all these talents might be rare and that is why the IR is often a team work. IR is a field in constant change hence one could predict that also the IR work will diversify.

At Laskin's (2009, p.223) study one respondent pointed out that the biggest problem of IR is *"balancing tougher disclosure requirements with market's desire for greater transparency"*. IR's essential challenge is to build confidence and trust between the investors and the company (Virtanen 2010, p. 24). According to Virtanen (2010, p. 25), confidence is build step by step in the course of time. Investors understand that companies may have difficult periods of time and targets need to be changed. Also, during hard times the company must be open, honest and fast communicator, explains Virtanen (p.25).

Laskin (2009, p. 209) points out that the IR has changed to be much more challenging especially after the 2008 banking crises; trust is no longer self-evident. He continues that communication and relationship-building are much more important today than before. He explains that: *"Such trust can only be built through establishing reliable and open communication streams between corporations and investors as well as building mutually beneficial relationship between them."* Bruce (2014, p. 317) also comments that this need to communicate more transparently and more regularly has led to an increasing use of internet based communication, such as e-newsletters and wider use of company websites. As a result of this, new electronic genres have born.

Evaluation is complicated

Communication scholars (Ragas & Laskin 2014, p.167, Virtanen 2010, p.190) seem to emphasize that IR's contribution should be measured with a mixed-methods approach, using a blend of quantitative and qualitative methods. There is a number of different measurements that can be used to evaluate IROs' work, some of them are financial, others non-financial. In many studies, IROs' work is evaluated with four different measurements (Ragas (2011) in Ragas & Laskin 2014, p.170) (Mars et al 2000, p. 42-44):

- 1) securities valuation/ development of company's equity,
- 2) stock liquidity,
- 3) financial analysts' coverage, and
- 4) relationships with financial community.

Ragas & Laskin (2014, p.176) found that IROs prefer that their work should be evaluated by their competency at relationship management. They continue that quantitative-oriented financial metrics are not under IROs' control and that is why they are not that important measurements. Mars et al (2000, p.42) explain that even though development of company's equity would be easiest to measure, it is also the most uncertain since many things influence the equity.

Ragas, Laskin and Brusch (2014, p.186) define that the two significant measures for IROs success are internal assessment by executive group and relationship assessment with the financial community. Ragas et al. (2014,p.186) continue that it is beneficial for the company to know who its investors are and what they expect from the company's management. In order for this to happen, it requires that an IRO is a member of the executive group and participates in the decision-making process (Ragas et al (2014, p.186).

Hoffmann and Fieseler (2012, p143-148) argue that when the equity analyst form an impression of a company, they value eight categories of non-financial factors: stakeholder relations, quality of communication, corporate governance, corporate social

responsibility, branding, reputation, consistency and quality of management. This is obviously linked to the work and quality of IR department.

As the above views expressed by various scholars show, IR work can be evaluated in various ways which implies that, in fact, its evaluation is rather challenging. Ragas and Laskin (2014, p.170) crystallises this: *“No single measure and no single approach can effectively evaluate the variety of investor relations’ contributions.”* It can be claimed that as the two-way communication and mixed motives are the key in IR (Laskin 2009, p. 227) as earlier explained under subsection 2.1.3 of this study, these matters, i.e. internal and external evaluation, should also be the basis of IR evaluation.

2.6 Theoretical framework

This section introduces the theoretical framework which was outlined in this study under sections 2.1-2.4. The framework shows the key concepts that influence the IR work in the international environment and the purpose of the framework is to guide the research process.

The below Figure 5 shows the following elements: channels, genres, language, culture, regulation and legislation that have been covered in this thesis. These elements are each addressed in the literature review as well as in the research part. These are elements that influence the IR work in an international environment in relation to investors. It should not be forgotten that the IR work is always built on trust and relationships between the company and its investors, which, again, is built by active two-way communication.

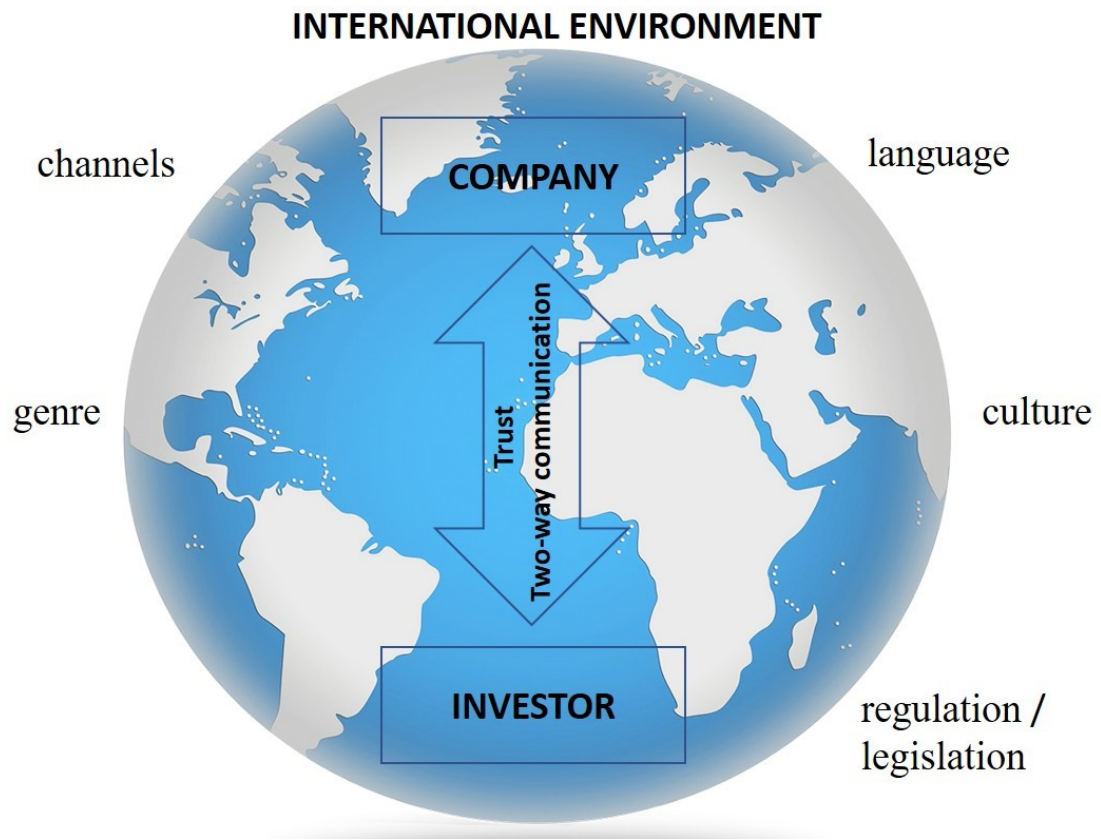


Figure 5. Research framework of the study.

3 DATA AND METHODS

This chapter presents the data and methods for examining the effects that the international operating environment has on IR work in companies. The first section (3.1) justifies the use of the qualitative approach and semi-structured interviews. The second section (3.2) explains the data collection method and the third section (3.3.) evaluates the trustworthiness and quality of the study.

3.1 Research methodology

The research methodology used in this study is qualitative. The reason for using a qualitative research design strategy was that the objective of this study is to investigate how the international operating environment influences IR policy and the methods they use. As Saunders, Lewis and Thornhill (2015, p. 569) describe, qualitative approach concentrates on meanings expressed with words and images. These words could be spoken or textual words (Saunders & al). One of the targets on this study is to look at the reasons and differences in IR on different markets. Saunders et al. (2015, p. 394) point out that one should use qualitative approach when it is necessary to understand the reasons for the attitudes and opinions. Bryman and Bell (2003, p. 279) also point out that qualitative research strategy concentrates on words rather than collection and analysis on numeric data.

Semi-structured interviews were chosen as a data collection method for this study. Bryman and Bell (2003, p. 343) refer to a semi-structured interview as a list of questions on rather specific topics of the researcher which allows an interviewee flexibility in how to reply. Eskola and Suoranta (as cited in Hirsjärvi & Hurme, 2009, p. 47) further specify that a semi-structured interview, the questions are the same to all the interviewees, but the replies are not tied to certain response options but instead the interviewees can reply in their own words. Hirsjärvi, Remes and Sajavaara (2008, p. 199) emphasise the importance of uniqueness of an interview as a research method. They state that it enables a direct interaction (verbal) with the interviewee, which

obviously has pros, such as flexibility, but also cons such as the fact that it is time consuming and there may be cultural differences (Hirsjärvi & al. 2008, p. 202-203). In this study two of the interviewees were from the UK and this made that it was important to understand that their background and the environment in which they work is very different from the Finnish ones.

3.2 Data collection

For the purposes of this study, seven professionals in IR and in financial sector were interviewed. Considering the subject of this thesis, it was important to select interviewees that would have experience in IR from an international environment. Three of the interviewees were IROs, one from the IR Society, two were equity analysts within different banks and finally, one person worked as a professional in a bank with the IROs, analysts and investors.

For this study, it was valuable to get opinions from different perspectives. Analysts work with different companies and their IR departments domestically and internationally, and that gives them a good ability to compare the field. Obviously, the IROs had to be another target group to be interviewed, since they have the expertise in the field of IR. However, it may be or may have been rather challenging for them to compare this field internationally, especially if they have only worked for companies in the same market and country. It may also be that their experience and knowledge is limited to that of their own company and its field and hence they are unable to compare their work with the other IR professionals.

Finally, the representative of the British IR Society and the Finnish banking professional (working with analysts of a bank) both had a wide view of the IR field. The one working for the IR Society had previously worked as an IRO abroad and in the UK, and now for many years in the IR Society in the UK and in Singapore assisting IROs and companies in this field. The other one working in a bank had wide experience working with the IROs, analysts and investors.

Two of the interviews were held in London. 13 interview requests were sent out by e-mail to London based companies and these two were the ones that responded and who invited to their offices for an interview. These two interviewees were hence met in person which turned out to be a very valuable experience as it made the interviews more in-depth and more personal.

IRO interviewees in Helsinki were selected from the large-cap of NASDAQ OMX Helsinki. It was important that these two chosen companies had foreign ownerships, the first one with 23 per cent and the second one with 50 per cent. Although both Finnish companies are large here in Finland, they are small in the international scale. However, this should not be a decisive factor for this study, since the aim was to look how the international environment affects the IR work.

The analyst interviewees present Swedish financial banks, but these banks also have their branches in Finland and they operate in Finland and the interviewees were all Finnish. Both analysts are regularly in contact with the IROs of different companies in different markets and countries. Their experience was very valuable for this study, as they were also able to compare their experiences with different IROs.

Five of the interviews were conducted in the interviewees' offices as face-to-face meetings. Both analysts' interviews were made through teleconference calls. The style of the interview was dependent on the interviewee although face-to-face interviews were first proposed to them. All the interviews were recorded, and the recordings were transcribed. The parts of the Finnish transcripts used in the reporting of the findings were later translated into English. Translated citations are flagged with * sign and the original Finnish versions can be found from the appendix.

3.2.1 Profile of interviewees

As shown in Table 1, the interviews were of different lengths. With the English interviewees the interview questions were covered rather swiftly. The Finnish interviewees required more time and perhaps it was also that the environment that was

more familiar made that these interviews were quite long. Also, some of the interviewees had more to say than others. For example, the AF1 analyst seems to have a lot of experience and views compared to AF2 analyst. Although the interviews had different lengths, same themes and questions were covered.

Table 1. Profile of interviewees

Interviewee Code	Date	Interview place	Position	Interview length	Language
IROF1	June 13 2016	Helsinki	Vice President, IR	47 min	Finnish
IROF2	June 15 2016	Helsinki	Vice President, IR	50 min	Finnish
IROB	December 7 2015	London	IR Director	22 min	English
IRSB	December 8 2015	London	General Manager	44 min	English
IRF	June 29 2016	Helsinki	Investor and convert services	1h 10 min	Finnish
AF1	June 13 2016	Helsinki (telephone)	Equity Analyst	1h 2 min	Finnish
AF2	June 23 2016	Helsinki (telephone)	Equity Analyst	32 min	Finnish

Codes: IRO is for IRO, F is for Finland, B is for Britain, A is for analyst.

Table 2. Profile of IROs, education, working experience and company profile

Interviewee Code	Genger	Education	Work	Company	Foreign ownership of shares issued
IROF1	Male	M.Sc. Econ. From the University of Jyväskylä	7 years for IR in Finland and in Germany	Big Finnish company	23 %
IROF2	Male	M.Sc. Communication from the University of Helsinki	9 years for IR in 2 different companies, before that corporate communication.	Big Finnish company	50 %
IROB	Male	BA Hons in Classical Literature and Philosophy from the Univeristy of Oxford	15 years for IR in 3 different companies. 6 years in investment banking as analyst.	British multinational large gap company	60 %

IR officers

Profiles of the three IROs can be find in Table 1 and 2. Two of the IROs were interviewed in Helsinki and one in London. The Finnish IROs represented Finnish listed companies that were selected from large-cap companies listed on NASDAQ OMX Helsinki. The British IRO represented a UK company listed on the London Stock Exchange and it has a secondary listing on NASDAQ New York. It is one of the top10-largest companies listed on the London Stock Exchange. This company was selected for this study in order to gain international view on the topic.

As seen from Table 2, all of the IROs have gained higher education. It is also interesting to note that in the UK, the education of an IR can be very different from the work of an

IR, whereas in Finland, for instance, most IRs seem to have a background in economical studies or similar.

For this research, it was valuable that all the IROs had long work experience in IR and experience from several companies. One of the Finnish IROs had also IR experience from Germany and therefore had a special interest in this study.

Table 3. Profile of IR specialists and analysts, education, working experience and company profile

Interviewee Code	Genger	Education	Work	Company
IRSB	Male	MBA from Henley Business School, BA Hons in Politics and Economics from the Loughborough University	15 years experience on IR and over 30 years experience on Finance	Investor Relations Society
IRF	Female	BBA	11 years expreience on Finance	Swedish financial group / bank
AF1	Male	M.Sc. (Econ.) from Hanken School of Economics	11 years as Analyst	Swedish bank
AF2	Male	M.Sc. (Industrial engineerin and management) from the Helsinki Univerisity of Technology	10 years as Analyst	Swedish financial group / bank

3.2.2 Design of interview questions

This subsection discusses how the interview questions were established. The interviewees were carefully selected, their background as well as the key information of the companies they represented were looked into beforehand. Ghauri and Grønhaug

(2005, p. 131) emphasised the importance knowing the interviewee, since the interview demand interaction between the researcher and the interviewee. They further continue that interviews are usually deemed to be the best data collection method and they can be conducted through mail, telephone or in person (Ghauri & Grønhaug, 2005, p. 132).

The interview themes and questions were formulated based on the literature presented under Chapter 2. Relevant literature was examined in detail before the interviews took place. The chosen interview themes are presented in Appendix 1 of this study.

3.3 Trustworthiness and quality of the study

This section evaluates briefly the trustworthiness of the study. In the literature, the trustworthiness is traditionally valuated through reliability and validity. Reliability means how the research can be repeated and validity refers whether the research measures what it is supposed to measure (Hirsjärvi et al. 2008, p. 226, Bryman and Bell 2003, p.33).

3.3.1 Reliability

Bryman and Bell (2003, p.76) describe three factors for a reliability of a research, stability, internal reliability and inter-observer consistency:

1. Stability means that the results stay the same over time when the study is repeated. In this study the results may change over time, as the IR field is constantly changing, and interviewees and the researcher's views may change.
2. Internal reliability means that even if the research methods change the results would stay the same. In this study the research method chosen was qualitative with semi-structured interviews. If the chosen method would have been different, the result would probably not have been the same.
3. Reliability can be measured if another researcher would come to the same decision. In this connection it should be noted that researcher's personality and knowledge of the issue always have an impact to the results in this kind of qualitative research.

Holstein and Gubrium (as cited in Hirsjärvi & Hurme, 2009, p.185) explain that it is not possible to presume that answers given under certain circumstances would be the same as answers given under different circumstances, since these derive from different situations. Since this study is a qualitative research with semi-structured interviews, the kind of qualifications of reliability may not be always be useful when measuring the quality of the study.

For the sake of good order, the interviews conducted in connection of this study were transcribed in detail (word by word). The Finnish quotations presented in this study were translated into English. The quotations in their original Finnish language can be found in Appendix 2.

3.3.2 Validity

According to Bryman and Bell (2003, p. 77), validity means the issue of whether the indicator that is supposed to measure a concept in fact measures that concept. There are different types of validity, including face validity, concurrent validity, predictive validity, construct validity and convergent validity (Bryman & Bell, 2003 p.77-78). Also, Hirsjärvi and Hurme (2009, p. 186-187) list predictive validity, contract validity and additionally framework validity. In other words, there are several different ways how to measure validity of a research.

Hirsjärvi et al. (2008, p.226) state that gauges and methods do not always correspond to the reality that a researcher believes he/she is researching. For instance, Hirsjärvi et al continue that when receiving replies to questionnaires, respondents may have misunderstood the purpose of the researcher. In this case if a researcher handles this data according to his/her own initial thinking, it is not possible to deem that the results are true and valid. This study was conducted as a semi-structured interview using question themes and since the interviewees were either met in person or interviewed over phone, it was possible to specify or clarify the questions if needed. Consequently, the above issue raised by Hirsjärvi et al. should not be seen a problem for this study.

Furthermore, and in relation to the above paragraph, Bryman and Bell (2003, p. 126-127) explain problems related to probing questions, which are questions that may be used to if interviewees need help with their answers. They suggest that a probing question could be as follows: "*Are there any other reasons why you think that?*". In this study similar type of probing questions were used and hence it was possible to avoid situations in which there could be a room for misunderstandings.

As further explained under section 3.2 of this study, the interviewees were carefully selected in order to obtain diverse viewpoints from different angles of IR. This was further emphasised by choosing interviewees from two different countries (Finland and the UK). Additionally, some interview questions and main themes were presented to the interviewees beforehand so that they could be better prepared and better understand the topic of the thesis. These measures were taken to ensure high validity of this study.

In order to add some validity, there could have been some more interviewees, especially from the UK. Nevertheless, the data collected in this connection seem to reach the saturation point on several parts and therefore, it can be agreed that the number of interviews was satisfactory for a trustworthy study.

4 FINDINGS

The following chapter presents the findings of the seven interviews in Helsinki and in London UK. The findings are presented in a way that four research questions are answered as presented in Chapter 1:

RQ 1: How does the culture and language influence the IR work?

RQ 2: What kind of regulation affects IR – transparency and disclosure?

RQ 3: Are there differences between channels and genres used in different markets?

RQ 4: What challenges there are in IR's development in an international environment?

The first section 4.1 discusses the most important target groups of the IR, the investors. This section evaluates the question: Does an investor effect the IR work in a company? Section 4.2 presents answers to research question 1. It discusses how the culture and language especially in Finland influence the IR work. Section 4.3 provides answers to research question 2. It introduces what the interviewees think about the regulation issues in different markets. Section 4.4 presents answers to research question 3. It evaluates interviewees views on how the origin of the company defines the way different IR channels and genres are used. Section 4.5 provides answers to research question 4. It discusses the future challenges that the IR field might face.

London is typically considered to be the centre of the European capital markets. This historical background of London was also discussed with one of the British interviewees (IRSB). The interviewee pointed out that the first company to raise money overseas was the East Indies Company at the beginning of 17th century and this is when the IR profession started in the UK even though it was not called or defined IR. He also argued that often London and British IR are seen as best practice in IR field, which makes that it is interesting to compare the British and the Finnish IR in the light of study's subject.

Furthermore, in July 2016 Britain has voted to leave the European Union. It would be interesting to see if the views of the interviewees had been any different after the BREXIT result.

4.1 International target groups and IR work

Finland is a reasonably small market and several of the Finnish interviewees reminded that Finnish companies have a need to attract foreign investors. In comparison with the Finnish market, the UK market is fairly big, and London is one of the financial capitals of the world. Hence, to get foreign investments is somewhat easier for the British companies and that may influence the way the IR works. The following citations demonstrate, how the Finnish interviewees experienced this issue:

"We are a small country [Finland] and we wish or our companies wish that there would be more foreign shareholders. This is a clear wish that almost every company has." AF1*

"Sure, of course it is so that when the number of potential investors is much higher in the UK market, which is the centre of capital markets, than in Finland it is easier for companies in London to get investors." IROF1*

In this connection, the Finnish interviewees also brought up that Finnish companies need to invest and put extra effort in contacting international investors. For instance, it was argued that it is clear that since often a Finnish company is a small cap or in maximum a mid-cap company (in international scale) and especially if a company is not a well-known brand, more effort is needed to make the company known as an investment target. Additionally, it was pointed out that as many Finnish companies are small cap companies (in international scale), the role of the IR function may be more secretarial or there is no IR at all, and for that reason the investors always meet a CEO or a CFO instead of the IRO. As the Finnish companies are rather small this also influences the IR work and IROs as compared in the following quotation:

*“They [IRO abroad] are on an average readier and they focus better on investors and that may be the difference.” AF1**

However, the findings of this study also confirm that in order to get international investors, this will require an extra effort from a UK company as well. Today the market is international, and the investor can move from one market to another very easily if needed. The competition of the investors exists. The following quotations summarize these findings:

“If you want to grow internationally I think you have to be able to address the needs of the investor, that's why you need investor relations.” IRSB

“And that's the point you need investor relations because an investor has so many choices - there's so much competition for companies” IRSB

As talked above the size of a company may affect how the role of the IR is organised within a company. According to AF1*, a CEO of a large global company may not have time or possibility to meet all investors and quite often (in such a case) it is the IRO to whom this duty has been delegated to. As a conclusion, it could be claimed that in a large global company, the role of an IRO is pivotal. An IRO needs to know the company equally well as the management in order to serve the investors and the management, and an IRO has, in fact, adopted a significant amount of CEO's tasks. This will enable a CEO of a large global company to concentrate on managing the company rather than taking care of various needs of different investors.

Additionally, it was questioned if an IR's working method would differ outside of Finland and it was concluded that not necessarily, other than that on average they have slightly more expertise due to the fact that companies are bigger abroad. One of the common aspects that all the interviewees discussed was the quality and same standards of the IR work globally. In the findings the IR work was seen as a universal profession. Investors could expect the same level of expertise in different markets as pointed out in the following quotations:

“When they [international investors] do invest their money, they expect certain standards and a certain response to behaviour by the company, in terms of the

information, in terms of fair transparency, good disclosure in terms of regular updates, in terms of recognizing investors, as investors should be recognized in big market, otherwise, the investors move to the next market.” IRSB

“I'd argue it's a global profession cause I've worked in different markets and I argue it's essentially the same in each market.” IRSB

”Good IR work is quantitatively and qualitatively good. And quantitatively means that you are present, and that you are available enough.” AF1

As discussed earlier in this study in subsector 2.1.1., IR functions may vary depending on a company. The reasons for this diversity were discussed with the interviewees. There are many things that may influence an IR function, such as company strategy, size of a company and origin of a company. In connection with the interviews conducted in connection with this study, it came up that an investor may actually pose a question: who is the investor? There are various different kinds of investors and additionally, IR sector has other stakeholders than just investors, as discussed in these following quotations:

*“Some investors may even be considered as generalists who do not have a specific sector where they invest maybe they look investments geographically without any sector limitations.” IROF2 **

“To some extend it depends, I think, on the investors’ appetite, the risk appetite, their time horizon, and if they have knowledge about different sectors - which markets are the strongest in oil and gas, let’s say London, which markets are the strongest in retail, most markets have retail companies. Which markets are the strongest in mining, probably Canada, Australia and UK and South Africa. Which markets are the strongest in Technology and Telecommunication?” IRSB

“International investors like any market where they can find opportunities to make money”. IRSB

“You can find better experts of our industry [from the investors] because we only serve a limited part of the industry and they are high-ranking experts.

IROF2 *

*I would categorize IR customers into four categories: shareholders (present, past and future), analysts and two types of debt investors. Debt investors are divided into those who invest in listed market (it can be whatever fund in practice) and to banks that grant credit to a company. IROF1**

“The investors always ask for more disclosure, but they don’t necessarily know what to do with it.” IROB

As a summary the investors are very heterogeneous group. Companies and IR functions have to take into consideration that their knowledge levels, sizes and interests differ among other things. Although one thing connects the investors and that is that investors are interested in the company as pointed out in the following quotation:

“Eventually, all the investors look at these things the same way. They are interested in how the company is doing, how the market is treating the company and how the company is able to make a difference on [their result] and what is the strategy, among other things. These things are the same where ever you go.”

IROF2*

In connection with the interviews of the Finnish analysts, it came up that some Finnish companies may treat investors differently depending on their origin (foreign or domestic). It was even claimed that a fairly big Finnish investor, even in international scale, might not get a one-on-one meeting with a CEO as easily as a foreign investor. This must be due to the fact that the amount of Finnish (institutional) investors is rather limited and hence, the companies often try to solicit foreign investors.

In the interviews, it became apparent that different companies have different targets for their IR. This, of course, depends on the industry as well and on whether the company operates in business to business (B-to-B) sector or in business to consumer (B-to-C) business. In B-to-C business the IR has to take into consideration that the investors might be also their customers.

Also, an interesting point was made by AF1*, who claimed that in some companies even board members want to know what a company's investors think. As an example, he mentioned that the chairman of the board of Sampo Group (Mr Wahlroos) attends investor meetings as he wants to know, what the big investors think. This comment summarizes the idea what is seen as a high-quality IR work, it starts with the company strategy and how the top management and also the board is devoted to serving the investors.

IR is a profession which emphasise two-way communication between the company management and the financial stakeholder groups. In the findings it was shown the importance of developing and improving the work of IR in accordance with the needs of investors. The following quotation summarise this need:

"A top IRO wants feedback from the investors, how did the investor meetings go and then the IRO is brings that information to the board." AF1

4.2 Culture and language in relation to IR

This section presents the findings of cultural and language questions in relation of IR within the international environment. Broadly speaking and as explained in section 2.2, the language is actually part of culture, but in this study, language is addressed separately since this study has been prepared from the view point of Finnish companies.

4.2.1 Culture

The findings of this thesis indicate that the professional culture is very strong in financial sector. Cultural differences are not seen as a big issue or problem in this field. Inevitably, people represent their own national culture. The demands that the international investors require from the financial and the IR sector place the professional

culture above the national differences. The following quotations show how the investors are seen as a homogeneous group:

“The investors are so much alike, and they are the same investors also.”

IROF1*

“Best practice encourages investor relations officers in response what the investors want, to behave in a certain way over and above their culture. IRSB

*”Same investors might invest in Germany and in the UK and in Finland and they have the same focus and same questions, so the culture is mainly within the people and the communication between them” IROF1**

Finnish culture is considered in the findings from a positive and negative perspectives. Finnish IR work is seen as very transparent, careful and precise. These are the elements that investors respect. However, on the negative side the Finnish IR is sometimes criticized having lack of courage. In order to succeed internationally, a company needs to know how to sell the company strategy for the investors. In the Finnish culture, it is often seen that people are very respectful for foreigners. The interviewees of this study also agreed on this on certain level. Both of the analysts argued that when Finnish companies are acting abroad, they are more open as shown in the following quotations.

*”In my opinion, Finnish companies behave differently when they are abroad versus when they are in Finland meeting investors. They are a slightly more open when they are abroad. They open the company strategy a bit more and when they are in Finland they always somehow worry, what would happen if this would end up in the press or media.” AF1**

*“When you are abroad and speak English, companies may discuss more what is going to happen” AF2**

As we are dealing with IR, which is a heavily regulated field, equal communication with all the investors and analysts is obviously crucial. The whole communication experience depends on transparency and openness, but also on trust. Equal information needs to be available to everyone, but perhaps the way how it is communicated, should reflect the

culture that is dealt with. The IR work, in fact, requires knowledge of different cultures as the following quotations imply:

“That is why there is globalization, because you want the money to come to Singapore, you have to respond internationally right, you can't respond just the way you want respond to support your own local community.” IRSB

“Between Germany and Finland, there is a huge difference in hierarchy and formality involving the working life [inside the company]” IROF1*

Finally, one of the interviewees claimed that the professional culture supersedes the national culture in saying that:

“The idea that I got is that actually the professional culture of IR and the analysts is more important than the national culture.” IROB

4.2.2 Language

Generally speaking, English language is the professional language used in business and in IR. However, knowledge of other languages such as French, German and Chinese may add value when meeting investors. The question of language has such an importance that some of the interviewees even mention that they use native speakers when meeting non-English speaking investors as the investors appreciate this effort and it will also enforce the company image. One could also imagine that the same applies to some English investors when being approached by non-native speakers.

Interviewees also mentioned that meeting international investors has certain challenges in view of communication. There is always a risk that when the investor and the company representatives and IROs do not speak in their native language, there is a room for misunderstandings. On the other hand, the native speakers may make a difference by making the communication more fluent. In that respect, it is understandable that some companies are keen on finding native speakers in IR teams. The following IROs quotations illustrate these language issues have been considered:

*”There may, however, be small nuances meaning that if you are a lot better than [the communication] is more easy-going or you are able to express yourself more accurately, if you know the culture [or the language nuances] and are able to explode the nuances.” IROF2**

*”You have to remember that the British and the Americans are used to talk to people who do not speak native English, so this is not a huge barrier.” IROF2**

“Sometimes you have to speak a bit more slowly or something or sometimes I take a kind of French speaker and do some meetings in French because the French love that.” IROB

4.3 Regulation and IR– transparencies and disclosure

This section presents the findings of transparencies and disclosure questions in relation of IR within the international environment. Subsection 4.3.1 discusses the question of twice a year reporting versus quarterly reporting. Subsection 4.3.2 looks into differences between markets on the level of disclosure. Finally, subsection 4.3.3 addresses discussion about the level of communication.

4.3.1 Twice a year reporting versus quarterly reporting

The regulation regarding amendments to the Finnish Securities Markets Act that came into force in November 2015 enables companies to report only twice a year instead of quarterly disclosure. The interviewees were asked of their view on these amendments. Many of the interviewees expressed that in practice it is questionable how useful the possibility of less disclosure may be. Following quotation does not support the possibility of twice a year reporting and its affects to :

*”We think and our customers think as well that it would weaken the quality of service, weaken the transparency and weaken the communication, if we would report only twice a year.” IROF1**

IROF1* also argued that less reporting may actually bear risk, meaning that if e.g. the annual reporting is released in February and the next reporting would only take place in July to August, they need to be very sensitive about what information they are giving in investor meetings in-between. IROF1 also stresses that speculations would grow on how the beginning of the year has been with the company. Consequently, the investors will seek to wish information and make their own interpretations on how the company is performing, IROF1 continues. Obviously, no company would want to take this risk.

IROF2* argues that the usefulness of twice a year reporting depends on the business field. For instance, IROF2 himself represents an industrial goods company and he argues that for them it is sensible to continue with quarterly reporting (rather than bi-annual reporting). Companies whose revenue is consistent in each quarter rather than constantly changing, may more easily use this opportunity. However, he continues that most probably in ten years’ time many companies may have adopted this twice a year reporting after having noticed that it actually works. Contrary to the views expressed by the Finnish IROs, the British IROB supports less reporting rather than quarterly disclosure:

“You get certain level of disclosure and that is enough. Actually, too much of disclosure can be – can lead to short termism. You know if you are getting full financial disclosure 4 times a year, so every 3 months then the investors could focus too much on short term performance. Which is a bad thing.” IROB

On the basis of the above, it is interesting to notice how the views of the Finnish IROs differ from the UK one. Finnish interviewees consider fewer disclosure as a risk which may even lead to speculative behaviour among the investors whereas the UK interviewee considers that too much information may also be harmful to a company.

4.3.2 Differences between markets on the level of disclosure

The interviewees were asked, whether they have experience on the level of disclosure on different markets and jurisdictions.

According to the British interviewees, there are no significant differences between the UK and the Nordic companies, disclosure policies, although they recognise that there may be differences due to the local legislation and other rules and regulations applicable.

"I don't think there are any real transparency or disclosure differences between markets. Obviously, if you go to some very immature market, emerging market whatever, then maybe the companies listed locally there have less kind of obligations" IROB

"Different jurisdictions are governed by different laws and different regulations, but the principle is the same." IRSB

"I think depending your own company law, depending on stock exchange regulations - of course it varies, it's all in degrees." IRSB

Even if the British interviewees do not see much difference between the UK and Nordic markets, they recognise the openness of the Nordic market. The following quotations illustrate this:

"I think it [Nordic market] is quite open and transparent, but I don't think that it is materially different from London." IROB

"How much information, that might differ. How much disclosure transparency and when you have to report, that may differ. But the principle is the same."
IRSB

As opposed to the British interviewees, the Finnish interviewees are mostly of the firm opinion that the Nordic (and the Finnish) companies are very transparent compared to many other countries as the following quotations show:

*“In Finland [the communication] is more open and more transparent.” AF1**

*“In average the Nordic companies are more transparent compared to many other countries, especially compared to the US. UK is on a pretty good level and also many German companies, but if you go to France or to Southern Europe, the transparency starts to weaken.” IROF1**

IROF1* concludes that the Finnish communication is very open and honest. IRF* also states that the communication of the Nordic companies (not just the Finnish) is open, clear and consistent and that in fact it is the reason why many investors appreciate Nordic companies.

4.3.3 Level of communication (consistency)

When discussing with the interviewees on the reporting and disclosure differences, this also leads to an interesting conversation about consistency in disclosure. IR work needs to be open, transparent and consistent, these are the key elements that need to be fulfilled.

In the findings it was argued that disclosure needs to be constant and going beyond regulatory requirements may actually be tricky in the long run. Another factor that is pointed out in this connection is how the market reflects additional information provided. These findings can be seen in the following quotations:

*”First you have to fulfil regulation requirements and if you go beyond that you have to keep it constant, no sudden moves because then the transparency or the ability to follow the company suffers.” IROF2**

“Then there comes a challenge that if you start to report something, the market learns to ask for it and you should continue to report it you have to be consistent.” IROF2

In other words, providing of additional information (going above regulatory requirements) challenging as there may not be away back to providing just the mandatory information, but the company will always need to provide the same level of information. However the legislation can be seen as fundamental level on communication:

“Of course the legislation sets the bottom level which you have to communicate and if you go deeper than that, it is up to the company, how much they think is useful to communicate details.” IROF2

The following quotes also illustrate the importance of consistency of communication and disclosure:

“And it is about availability and transparency, making sure you respond quickly to a request and that your disclosure is good and consistent.” IROB

“Investors want a company where the communication is professional, good and consistent.” IROB

IROB also points out that the importance of consistency even becomes relevant when a global company is listed on several stock exchanges. He believes that rather than having separate IR teams serving locally in different time-zones, it is more important for the consistency of the message that the whole IR team sits together in the same office. Then again, IROB argues that the need to have local IR teams depends on a company. He continues that, for instance, if a British company has a large investor base in the US, it is justified to have a separate IR team in the US as well. As seen from these quotations, this is also an issue that depends on the company and its IR strategy. Maybe also their shareholders and potential investors have an influence on this matter.

Even within the EU member states, the requirements of Stock Exchange rules differ from country to country. For example, IROF1* pointed out that in Germany, it is obligatory to report four times a year, this comes from the Stock Exchange rules. It is to be seen how these requirements will develop in the future on the EU level and again, on a national level. When comparing the Finnish IROs with the British IRO, we also need

to remember that they represent different industries. IROB presents a consumer product company and both of the Finnish IROs B2B companies.

4.4 Differences in channels and genres used in different markets

An interesting topic discussed with the interviewees was channels that are used in IR and their possible differences in different countries. The Finnish IROF1 compared the London market and the Finnish market. IROF1* explains that the investors in London are very demanding. In practice this means that the investors require very tailored and personal service and meeting the company's management in person. On a contrary, in Finland, the approach is less personal. In Finland, it is common to arrange investor meetings e.g. in form of luncheons which are targeted for a group of investors rather than a single investor.

Contrary to the Finnish IROF1's observation, the British IROB remarks that he sees no difference with domestic and foreign investors and analysts with respect to methods used when contacting them. IROB lists face-to-face meetings, roadshows, conferences, conference calls, emails as the main method of contacting both domestic and foreign investors. IROB also mentions that they do spend significant time (25 days/ year) in the US marketing and meeting investors. This may be explained by the fact that this particular company has a 35 per cent ownership in the US and Canada.

Again, another view was taken by another Finnish IROF2*. He pointed out that since the Finnish investors are obviously physically closer, the communication channels differ from the foreign ones. There is no need to schedule well in advance meeting of Finnish investors, as these can be met on an ad hoc basis, IROF2 explained. In this connection one can also argue that it is easy to have conference calls when there are no time differences. Additionally, in Finland the people in financial business may often know each other as the market is smaller than in London for example.

AF2* finds some differences in the channels used in Finland compared to other countries. Finland is very keen on taken new technical tools in use, e.g. video podcasts.

In Southern Europe the information is not so easily available. Then again, he continues, in the US the presentations are not readily available, but need to be searched through different channels such as webcasts. Situation in Finland some what different as the following quotation shows:

*”Naturally in Finland [the sector] is so organized, that they [companies] know the investors very well and know beforehand what is the knowledge level [regarding the company and the sector]. With some foreigners this is valid also, but for my point of view, I would say that the investor profile [that we at the bank have analysed for them] has more value. “ IRF**

4.5 Challenges facing IR development

When discussed with the interviewees about the future challenges that IR field might face, there came up two main topics: regulation and how to take advantage from the development of technology. It was pointed out in the following quotations:

“From the UK's point of view the main drivers other than regulatory, are technology related, so clearly it's easier, more cost effective, more efficient to use digital communications.” IRSB

*”Short answer to your question is regulation.” IROF1**

*”Regulation sometimes causes trouble. Not all amendments or changes are necessary. Excellent example, for instance, is MAR effective as of 3 July 2016... (MAR stands for market abuse regulation) ..., it will mean as a concrete example that in the future all our listed companies must disclose all acquisitions made with our shares once the board and management or their insider closes a deal. The problem is not with the management (meaning board and management)... But the problem is with the insiders.” IROF1**

The insider problem was also further discussed and all the implications that MAR causes to a company. Then again, the British interviewee sees that the regulation and new technology will be not important to IR as these quotations show:

"The main concern is that it will significantly increase the amount of disclosure. This, again, will cause a lot of additional work to the companies and generally speaking will increase bureaucracy and noise on the market. Besides, it does not give any additional value to anyone. However, the companies must comply with this regulation which also contains sanctions for non-compliance." IROF1*

"MAR regulation has especially been prepared with a view of certain other countries (such as Italy and Spain), whereas in Finland the regulation is already on a reasonable level." IROF1*

"So all the noise around regulations and social media bladiblaa actually I think that it is irrelevant, and the way the IR is best done is through regular open transparent dialog between knowledgeable people." IROB

IRF* argues that in the future the IRO's work will be wider and IR will be required to provide more services than before. This increased workload will also mean that there is often a need for a whole IR team rather than a single IRO within the listed companies. Consequently, IR work in the future will require knowledge of CSR, specific business details, financials, communication and legislation, for instance.

"It is the company and its quality, prospects of the industry and the general prospects for the economy that makes the difference." IROF1*

One aspect that was also discussed with the interviewees in connection with future development was the influence of social media. As the IR work is highly regulated the social media was not seen by any of the interviewees very important. It was only seen as a channel that has to be taken cautiously. It was not seen as a channel that could replace any existing channels. The following quotations illustrates the findings:

"I believe that [usefulness of social media] depends on corporate culture i.e. if it is natural for a company to be in Twitter or Instagram, be active [in social

media] ... Is a way to be available, remind of existence, to brand and to be invisible. It may well be that in the future it is either Twitter or a web side blog though which you are available for small details rather than making an appointment six weeks ahead... and preparing a huge pile of presentation material.” IRF

“[Social media may be used] in the daily basic work where you share information, but the releases shall be official and exact and valuable and there for they should not be in social media.”AF1

“[Social media] may give us more attention, but then in my opinion this is more a question of other communication rather than pure IR work” AF1

Finally, the power of social media has strengthened and changed in the world and in the everyday life of people and companies world-wide since the interviews of this study were conducted. Just recently, people have started to realise how much impact the social media may actually have on, for instance, private person's privacy, but also on politics and naturally, subsequently, in the world of business. Social media may be seen as a great opportunity but may also be considered a threat to a company. Even if social media would not be directly a channel of IR in a company, the power social media has to be taken into consideration as it may impact the investors and other stakeholders of a company.

All the interviewees agreed that to measure the IR work is complicated. Furthermore, several interviewees expressed that it would be ideal if the role and respect of IR would increase in the future as this would also create additional value for companies. IR work is a dual job, the two-way communication is important as talked earlier in this study in subsection 2.1.3. Hence also the measurement of the IR work should be diverse. The following quotation crystallises this:

“Our job is to reduce the share price fertility... But in the end of the day it's about the satisfaction of CEO and CFO, do they think that the IR team is giving them a good advice, prepare them well for investor meetings, making sure the

board is well informed. You just know if you have a good IR team or not. How to measure that's bid harder." IROB

5 DISCUSSION

This chapter discusses the main findings of the study and connects them to the previous literature. The main objective of this study was to examine how the international operating environment effects the IR work. How does the national and professional cultures and language influence IR? How does the legislation differences and changes are seen? And how does channels and genres determine the IR work?

Several scholars cited in the literature review of this study emphasized the importance of two-way communication in IR (among others, NIRI, Laskin 2009; Hoffmann & Fieseler 2012; Koskela & Kuronen 2014 and Ikäheimo & Mouritsen 2007). According to Laskin (2009, p. 226), An IRO's duty is not only to communicate the company's message to the shareholders but also to listen to the shareholders and deliver their message to the top management. The findings of this study strongly supported the concept of two-way communication. For instance, it was stressed that international IR work at its best should not only provide information on behalf of the company, but always seek to get feedback from the investors, and deliver this information to the board of directors. Additionally, it was emphasized that in IR work, it is essential to build strong relationships with investors and analysts. This is particularly important when times are rockier and there is a need for strong trust between a company and its investors. The importance of trust was also verified by Laskin (2009, p. 209). Obviously, the need for two-way communication is crucial when soliciting new investors, particularly when seeking cross-border investments in foreign markets, where investors typically are highly demanding.

Another important finding was that the professional culture in financial sector is stronger than national culture. This was a view supported a majority of the interviewees. However, knowing other cultures should never be forgotten in IR work. It should rather be seen as a competitive advantage when in acting in the highly competitive field of financial sector. From theoretical point of view, this is also of importance when dealing with high context cultures as described by Hall's cultural framework as presented in Figure 4 of this thesis (Neuliep 2006, p. 46; Würtz 2005).

On the basis of the findings, English is the professional language of business and IR internationally. This was also enforced by the literature (Virtanen, 2010). However, the importance of other languages should not be underestimated in a world where international investors are becoming more and more demanding. Several interviewees revealed that companies and their IR may even use native speakers to serve foreign investors. This will also help to avoid any possible misunderstandings, which could be very harmful in IR communication. The importance of knowing different languages was also confirmed in the relevant literature (Virtanen, 2010). In other words, knowing other languages than just English and investing in native speaking professionals should be seen as a means to differentiate and a way to solicit foreign investors.

Other important findings were made in connection with the discussions on recent amendments to the Finnish Securities Markets Act and particularly on disclosure duties enabling listed companies to report only twice a year instead of quarterly reporting. To better understand the context of disclosure duties in general, certain provisions of Finnish Securities Markets Act were looked into under subsection 2.3.1. On the basis of the interviews, it turned out that the Finnish interviewees considered that fewer disclosure may be a risk which may even lead to speculative behavior among the investors. Interestingly, a British interviewee adopted a contrary view whereby too much information may lead to short-termism, which may be harmful to a company. In this connection it also came out that the Finnish interviewees are mostly of the firm opinion that the Nordic (and the Finnish) companies are very transparent compared to many other countries. Again, the British interviewees did not recognise the level of Nordic transparency of being any higher than in the other countries. This may, however, be due to the fact that their experience of the Nordic market is somewhat limited.

Pursuant to the literature review, globalization in fact means that somewhere in the world of stock market, there is always an investor who is awake (e.g. Mars et al. 2000, p.203). In practise, this will require more resources for the IR. The findings of this study also confirmed this statement. For instance, IRF stressed the need of IR to be constantly available and provide information to international investors who may be based in different time zones.

Based on the findings, the concept of social media was not seen as a significant factor in the world of IR. Many of the interviewees argued that the use of social media in IR is limited because the field of IR is subject to strict regulation, which again is directly linked to the way the IR communicates as further verified by Mars et al., 2000, p 26. As an example, the interviewees mentioned Twitter, which they see as a tool that a company may use, but, which in fact, is not a useful source of information for an investor and is also challenging to use for IR purposes. Twitter was rather seen as a useful tool for consumer businesses and private investors in contrast to institutional or foreign investors. Instead, the interviewees highlighted the importance of traditional means of communication such as meeting up face-to-face with the investors.

As Ragas et al (2014, p.186) explain, it is beneficial for the company to know who its investors are and to know what they expect from the company. In connection with this study the importance of knowing a company's investors came up. Companies are different and so are their owners. It was also argued in the findings of this that all investors want the same things, among others to invest into a company with good prospects and transparency in their IR work. This is obviously true but knowing a company's investors should also be seen as a possibility to differentiate from other investment targets.

6 CONCLUSIONS

This chapter summarizes this thesis study project and presents the main findings and practical implications and limitations of this study. Section 6.1 summarizes the study, the objectives of the study and describes the main findings. Section 6.2 briefly discusses practical implementations and recommendations which have come up in connection with this study. Any possible limitations of this study are in section 6.3. Finally, section 6.4 concludes the study and provides suggestions for further research.

6.1 Research summary

The main objective of this research was to examine how the international operating environment influences IR communication. This research objective was observed by the following four research questions:

RQ 1: How does the culture and language influence the IR work?

RQ 2: What kind of regulation affects IR – transparency and disclosure?

RQ 3: Are there differences between channels and genres used in different markets?

RQ 4: What challenges there are in IR's development in an international environment?

This study utilized a qualitative research design and the data were conducted via semi-structured interviews among three IROs, two analysts and two other professionals familiar with IR work. Two of the interviews were from the UK and the others were from Finland. All the interviews were recorded and transcribed. The Finnish parts that were needed in this study were translated into English. Two of the interviewees were made through teleconference calls. Other five interviews were conducted face-to-face meetings in the interviewees' offices.

The objective of this study was to examine how the international operating environment effects the IR work. The market in Finland is small and consequently, the hypothesis of

this thesis was that Finnish companies would differ from the bigger markets such as the UK or the US because they would, for instance, be more focused on foreign investors and to try to attract them. Since UK and US are big markets, there should not be such a need to solicit foreign investors.

The Finnish interviewees agreed that they find Finnish IR work to be more transparent compared to UK or US companies. The British interviewees did not share this view. This is, however, because they have a limited experience on Finnish companies and market.

All the interviewees agreed that there are differences in IR depending on a company. In Finland, companies are fairly small or in maximum medium size companies and perhaps this is also one of the reasons why they need to put more effort in IR activities.

IR and its operating environment is also closely linked to legislation and regulation. The latter, again is subject to a constant change when new legislation and regulation is created and implemented. On a national level international regulatory framework affects for instance the EU member states that will need to implement the EU legislations in the national level. Additionally, disclosure and transparency also depend on the industry. It is noteworthy that the interviews were conducted prior to the Brexit election in the UK. It would be interesting to know, if the result of this elections would have had any impact on the views expressed by the UK or Finnish interviewees.

6.2 Practical implications and recommendations

The strengths of Finnish IR work seem to be that it is deemed transparent and consistent. Companies vary on, for instance, their size, industry and management style. However, should the investors and gaining new investors be important to a company, then should IR and their work be given a lot of effort and this, in ideal scenario, would include the support by a company's management. A talented and experienced IR team and IRO, who would also attend the board of directors' meetings, could help the

management with this target a lot. Additionally, it is important to get some credibility to the IRO work, unless their position is more of secretarial type in a company.

In this connection, it also came out in this study that it is important to develop and improve the work of IR in accordance with the needs of investors. In other words, IR work should focus on knowing a company's investors. This could also be seen as a way to better serve the investors in highly competitive markets, where investors have a lot of choice. This observation was further enforced by the findings of this study, which showed that international investors may be very demanding and need customised service.

As further evaluated in the Discussion Chapter 5 of this study, it was established that the professional culture in financial sector is stronger than national culture and that knowing other cultures would certainly be beneficial in IR work. This is something that IR and the companies they represent should see as a competitive advantage when in acting in international markets trying to solicit international investors.

This study also confirmed the theory of two-way communication and trust to be build between the IR and stakeholders, namely investors. An exemplary IR function would not only deliver the message of a company to its investors (and other stakeholders), but would also take any feedback from the investors (or other stakeholders) and communicate it to the management of a company. Again, companies should see this as a means a way to serve the target groups of a company and differentiate from rivals.

Finally, this study also suggested that in order to succeed in the competitive global environment, stakeholders such as analysts and investors must specialize themselves into narrow segments and eventually, IR teams would then need to find the ones that are interested in their own companies. Consequently, it may sometimes be advisable for companies to focus and be aware of those investors and analysts that are specialized in their specific field.

6.3 Limitations of the study

Even if a fair number of interviewees were reached, there could have been some more interviewees, especially from the UK. However, it seemed that the data collected in this connection reached the saturation point on various parts and hence, it can be agreed that the number of interviews was sufficient for a trustworthy study. Also, the fact that not only IROs, but other experts in the field were interviewed, makes that the study got a wider perspective.

The interviewees presented various different types of companies from business-to-business (B2B) to business-to-consumer (B2C) and certainly this reflects on the work of IR. A general presumption is that the global companies acting in B2C field are known by most investors to some extent. In order to get a perfectly comparable survey, it would have been good to conduct interviews with companies of same type (B2C or B2B). Correspondingly, an analysis of companies of same size and within same sector would have been useful.

6.4 Suggestions for further research

This section provides suggestions for further research, which has been outside the scope of this study.

Firstly, this study made a comparison between views and aspects expressed by the UK and the Finnish interviewees. It would be interesting to make a further analysis and study on the basis of certain other country representatives as well, such as the US (New York based experts for instance) and certain Asian countries. Asia, such as China would be an interesting target for this purpose as its culturally very different from European countries in general and as its importance as a global investor is increasing. On a narrower scale, comparison between different European cultures, such as Germany and France would also be of interest.

Secondly, social media was not covered in this thesis in more detail. However, it would offer a very interesting view points as it may often be ignored in connection with IR

since it is a heavily regulated field. Also, just recently it has come out that the social media may have unpredictable power, which would be interesting to investigate from the view of IR.

Thirdly, this study only provides a brief introduction to certain chosen regulation important to the IR work. Regulation and IR would offer plenty of topics for more research, for instance from the view of comparing different jurisdictions and reviewing any new regulation.

Finally, it would be interesting to make a corresponding study in a few years' time to see if any of the finding would differ since IR is a constantly developing field and globalization will bring new challenges to this field.

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APPENDICES

Appendix 1: Interview themes for IROs and analysts

Theme 1: International IR work

- Who is the investor? Does it vary from the origin of the company?
- Does the origin of a company influence the motivation of the IR work? (The UK is big and old market compared to Finland.)
- What could Finnish companies and IR do to attract more international investors?

Theme 2: How does cultural and language issues influence IR work

- What is culture?
- What cultural differences must take into consideration?
- National culture versus professional culture
- How the different languages are used in IR work?

Theme 3: Regulation issues in international environment

- Transparency differences
- Disclosure differences

Theme 4: Channels and tools used in IR in different markets

- Most important channel for domestic versus international IR work
- Investor differences in international markets

Theme 5: The future and challenges of IR communication

- Special challenges in the future affecting IR in international environment
- Future aspects that may change IR work
- What is the role of social media in IR?

Appendix 2: Quatations in their original languages

Page	Interviewee code	Quote in Finnish
43	AF1	Me ollaan pieni maa ja me toivotaan tai meidän yhtiöt toivoo, että on enemmän ulkomaalaista omistusta sehän nyt on ihan selkeä toive melkein kaikilla”
43	IROF1	Onhan se varmasti tietysti niin, että kun toi rahan (sijoittajien) määrä on yhtenä tekijänä paljon suurempi Britti markkinoilla kun Suomessa onhan se helpompi saada tavallaan rahaa yhtiön Lontoossa mikä on pääomamarkkinoiden keskus.
44	AF1	Niin kyl he on keskimäärin valmiimpia ja parempia keskittymään sijoittajiin ja se on ehkä niinkuin ero.
44	AF1	No sen, että jos taas on isoja yhtiöitä, niin heidän IR:t on, otetaan vaikka joku Adidas, niin sehän on niinkuin että sen Adidaksen toimitusjohtaja niin sillä ei ole aikaa tai niinkuin mahdollisuutta kierrellä Suomee, se tapaa joitain sijoittajia ja sit se tapaa niinkuin oikein suuria sijoittajia, mut jos se yleensä tulee edes Suomeen niin se haluaa, se on vähän sama juttu jossain Adidaksessa, että ne haluaa laajentaa, se on vähän sen IR:n työ laajentaa tietämystä yhtiöstä tai laajentaa omistuspohjaa. Niin kyl siin on yleensä se IR joka tulee.
45	AF1	Hyvä IR työ on niinkuin määrällisesti että laadullisesti niinkuin hyvää. Ja mikä on se määrällisesti se tarkoittaa sitä että esiinnyttään ja ollaan niinkuin käytettävissä tarpeeksi paljon.
45	IROF2	Tottakai sieltäkin löytyy tällaisia niinkuin generalisteja [ketä me tavataan,] mitkä ei oo sitten mihinkään sektoriin spesifisesti erikoistuneita, vaan katsoo ehkä maanteiteellisesti sektorista riippumatta.
45	IROF2	Kyllä sieltä [maailmalta] löytyy niin kuin näiden alojen parempia asiantuntijoita [sijoittajista] kuin mitä me itse ollaan, koska me palvellaan vain tiettyä osaa siitä... että kyllä he on niin kovia asiantuntijoita.
46	IROF1	Että näihin 4 kategoriaan mä laittasin: että meillä on siis osakkeenomistajat (nykyiset, entiset, tulevat), analyytikot ja velkasijoittajat kahdenlaiset: niitä, jotka sijoittajaa listatun markkinan kautta(, se voi olla käytännössä mikä tahansa rahastokin) ja sitten niitä jotka, pankkeja jotka luotottaa meitä.

46	IROF2	Kaikki ketkä sijoittaa niin loppu viimein katsoo loppuen lopuksi vähän samalla tavalla asioita,(niinku mennään siihen ytimeen mistä ne on kiinnostuneita,) ne on kiinnostuneita siitä miten firmalla menee, miten sen markkinoilla menee, miten firma pystyy siihen ite vaikuttaa ja mikä on sen strategia ja kaikki nää asiat. Että kyllähän ne on samanlaisia missä tahansa ollaan.
46	AF1	Ja samasta syystä niin jossain Sammossa puhutaan, että esim Nalle Wahlroos tekee niinku sijoittajatapaamisia hallituksenpuheenjohtajana ja moni kysyy etä miks niinku, niin hän haluaa tietää, että mitä isot sijoittajat on mieltä.
47	AF1	Huippu IRO haluaa siit feedbackin sijoittajilta, että miten noi sijoittajatapaamiset mennyt ja sit hän oli viemässä sitä yhtiön hallitukseen.
48	IROF1	Kyllä ne sijoittajat on vaan niin samankaltaisia ja samoja sijoittajiahan ne on myös.
48	IROF1	Samat sijoittajat saattaa sijoittaa Saksaan ja Britteihin ja Suomeen ja niil on sama fokus ja samat kysymykset, et se kulttuuri on lähinnä liittyy ihmisten väliseen kanssa käymiseenkäyntiin.
48	AF1	Mun mielestä kun suomalaiset yhtiöt käyttäytyy erilailla kun ne on ulkomailla vs kun ne on Suomessa tapaamassa sijoittajia. Ne on vähän avoimempia kun ne on ulkomailla. Ne avaa vähän enemmän sitä yrityksen strategiaa ja kun Suomessa ollaan niin(, kyllä mulla on jotenkin,) jotenkin aina mietitään, että mitä jos tää päättyy lehdistöön tai jos tää päättyy mediaan.
48	AF2	Kun nää on ulkomailla niin puhutaan englantia sit siellä sijoittajille ehkä kerrotaan enemmän, että mitä tapahtuu.”
49	IROF1	Saksan ja Suomen välillä on iso ero hierargiassa ja muodollisuudessa mikä yleensä työelämään liittyy [yhtiön sisällä].
50	IROF2	Mutta että sanotaan, että siinä on sellaisia pieniä vivahteita, että jos sä oot vielä vähän parempi siin niin se saattaa olla vielä vähän mutkattomampaa tai saat sen asian vielä vähän paremmin sanottua tai perille, jos sä tunnet ne tai osaat hyödyntää niitä kulttuuri vivahteita, sanotaan näin.
50	IROF2	Niin ja sit pitää muistaa, että onhan ihmiset tottuneita esim Briteissä tai Amerikassa [niiden kanssa] keskustelemaan ketkä nyt ei puhu äidinkielenään englantia, että ei se nyt mikään iso muuri ole.

51	IROF1	Kyllä me ja meidän nämä asiakkaat, nähdään se niin, että se olisi heikennyt palveluun, heikennyt läpinäkyvyyteen ja heikennyt ylipäänsä niinkuin viestintään jos me raportoitaisa 2 krt vuodessa tuloslaskelma.
51	IROF1	Mä väittäisin, että siinä on se riski, että jos julkaistaan helmikuussa koko vuoden tulos ja sitten vasta seuraavan heinä-elokuun tiennoilla on niinkuin seuraava tulosjulkistus niin siinä on enemmänkin se riski, että sun on tosi tarkka oltava, että mitä sä sit siellä sijoittajapalavereissa huhti-, touko-, kesäkuussa sanot, kun siitä helmikuusta alkaa olla kulunut jo paljon aikaa ja on kerinnyt tapahtua asioita ja sit niinkuin sijoittajathan yrittää, ku varsinkin on kulunut aikaa eikä oo mitään kerrottu virallista yhteyttä niin ne yrittää sitten utsia sitte ja rivinvälistä tulkita, niin mä sanon sit, et spekulatiot vaan kasvaa sen suhteen et miten alkuvuos on mennyt tällä yhtiöllä.
51	IROF2	Me nyt ainakin aateltiin, että meidän kaltaisella firmalla on niin niin ihan järkevää jatkaa toistaiseksi tätä neljännesvuosittain raportointii, että ei olla mietitty sen suhteen mitään muutoksii, mutta mun mielestä se on hyvä, että annetaan mahdollisuuksii koska jollekin toiselle firmalle, jossa ne muutokset ei oo niin nopeita niin se 1/2vuotis rytmi voi olla ihan relevantii.
51	IROF2	Kun taas meidän tyyppisessä firmalle niinkuin tarviiko asiakkaat kuinka paljon teknologiaa tai meidän laitteita tässä kvarttaalissa saattaa erota siitä seuraavasta kvarttaalista, et siinä on enemmän niinkuin tätä.
53	AF1	Suomessa se on avoimempaa, läpinäkyvämpää, [se ei ole ollenkaan huono asia se,] se on mun mielestä tosi hyvä asia se.
53	IROF1	Keskimäärin pohjoismaiset yhtiöt on läpinäkyvämpiä kuin monessa muussa maassa varsinkin jenkkeihin verrattuna. Britit on varmaan ihan hyvällä tasolla ja myös monet saksalaiset yhtiöt, jos mennään Ranskaan ja etelämääs Eurooppaan niin sit alkaa taas läpinäkyvyys heiketä.
53	IROF1	Suomalainen viestintä on hyvin avointa ja rehellistä.
53	IRF	Sikshän monet sijoittajatkin pitää pohjoismaisista ylipäänsä, ei pelkästään suomalaisista, että se on avointa, se on selkeä, se on johdonmukaista ja ei niinkun ja tavallaan vois siihen luottaa siihen myöskin.

53	IROF2	Ensin pitää täyttää ne säätelyvaatimukset mut sit jos mennään siitä yli niin ne pitäisi pitää sellaisen tasaisena, eikä äkkinäisiä liikkeitä koska sit se läpinäkyvyys taas kärsii tai seurattavuus kärsii.
53	IROF2	Tulee tietysti se haaste sitte että jos alkaa jotain raportoimaan niin yleensä se markkina oppii siihen sitten, että sitä pitäisi sitten jatkaa.... niin siinä pitää olla johdonmukainen
54	IROF2	Tietysti lainsäädäntö niinkuin asettaa sen alarajan että vähintään tää pitää kertoa ja sit jos siitä mennään syvemmälle niin sehän on sitten firman päätettävissä, että kuinka paljon nähdään tarpeelliseksi jakaa tietoa niinkuin ylimääräistä lisätietoa ja yksityiskohtia.
54	IROF1	No Saksassa on pakko raportoida 4krt vuodessa, se tulee pörssin säännöistä.
55	IROF1	No Lontooseen mennään aina johdon kanssa, että ne on sen verran hemmoteltuja että ja vaatimustaso on siellä kova, että ne haluaa kuulla sen suoraan hevosen suusta sen asian ja sinne mennään käytännössä niin että.
55	IROF2	Tietysti täällä on helpompaa yleensä koska suomalaiset on lähempänä fyysisesti tässä, että he käy täällä noiden välittäjien tuomana tai sitten ittekseen tai soittavat tai muuten. Että se on niinkuin helpompaa.
55	AF2	Suomi on kuiteskin suhteellisesti tätä edellä kehityksessä mun mielestä jos kattoo niinku Eurooppa. Että tässähän on niinku kaikanlaisia tahoja niinku ketkä tekee videoita ja muuta sellaista. Jos menee muualle maailmalle niin ajatellaan nyt vaikka Etelä-Eurooppalasta yhtiöä tai yrittää ottaa selvää, niin sehän on paljon hankalampaa. Jos kattoo jotain jenkkifirmoja, sit sun pitää kattoo jotain "fingseja" tai sit niill on niitä webcasteja mistä sä voit ottaa niinku presentaatiot.
57	IRF	Tietysti Suomessa niin ollaan sen verran järjestäytyneitä, että he kyllä tuntee sijoittajat todella hyvin ja tietää jo etukäteen mikä se tietotaito taso on. Joidenkin ulkkareiden kohdalla se toki pätee myös, mutta siinä mä näkisin, että se sijoittajaprofiili on paljon isommassa roolissa.
56	IROF1	Lyhyt vastaus sun kysymykseen niin se on regulaatio.

56	IROF1	No tota kyllähän toi regulaatio aina välillä aiheuttaa harmaita hiuksia tai päänsäivää että ne kaikki ei oo tarpeellisia regulatooriasia muutoksia. Että nyt on yks loistava esimerkki näin ajatuksellisesti tää 3.7. voimaan astuva "MAR" uusistus, ... (MAR tulee sanoista market abuse regulation, markkinoiden väärinkäyttö asetus)..., se tarkoittaa konkreettisesti esimerkkinä sitä, että jatkossa meidän pörssi-yhtiöiden tulee tiedottaa kaikista kaupoista mitä yhtiön osakkeilla tehdään, kun johto tai sen lähipiiri tekee kaupan. Ja tää johto sinänsä ei ole se ongelma, johtohan meillä tarkoittaa hallitusta ja johtoa... Mutta se lähipiiri on se ongelma...
57	IROF1	Se ei nyt lisää kenellekään mitään lisäarvoa, se lisää vaan työtä ja kohinaa tuolla tota markkinassa. Tämä tuo vaan lisää byrokratiaa, lisää väivää ja sillä on tietysti kovat sanktiot laitettu vielä niin yhtiöiden täytyy tää toteuttaa tarkasti.
57	IROF1	Italiassa ja Espanjassa tämmöisiä asioita ei ole niinpä Brysselissä on ajateltu, että laitetaanpas italialaiset kuriin niin laitetaanpas tämmöinen MAR systeemi, mutta mistä suomalaiset sitten kärsii.
57	IRF	Joo näin mä uskoisin ja monipuolisempia kysymyksiä ja sitä kautta myöskin mä luulen myös, että jos sä aidosti olet osaava ir joka hallitset sen koko paletin, en mä tiedä onko se edes mahdollista edes, täst just kestävästä kehityksestä asti business detaljeihin, että onko sellaista henkilöä ylipäätään kuka pystyis hallitsemaan nää niin hyvin että... mut jos IR tiimistä löytyy nää tahot niin se ois hyvä.
57	IROF1	Kyllä se on se yhtiö ja sen hyvyys, toimiala näkymät ja talouden näkymät joka ratkaisee.
57	IRF	Mä luulen, että se on tässäkin sen firman kulttuurista tavallaan kiinni, että jos on luontevaa toimia niin että .on niinku twitterissä, instagramissa on niinkun paljon esillä... Sehän on vaan tapa muistuttaa ja brändätä ja näkyä... Sit voi olla että siihen enemmän ja enemmän mennään siihen että se on joko twitteri tai nettisivu blogin kautta oot tavoitettavissa, niinkuin pienistä jutuista, eikä niin, että sovitaan 6viikkoa etukäteen... ja sit on hirveä nippu jotain presentaatiomateriaalia mukana.
58	AF1	Mut ihan siinä perustyössä et jaetaan sitä informaatiota mut sen pitää olla, ne tiedotteet pitää olla virallisia ja jämäptejä ja hyviä ja ne ei mun mielestä niinku kuulu siinä mielessä niinku someen.

58	AF1	<p>Niin se on ehkä ihan hyvä että saa niinkuin enemmän huomiota mutta silloin se menee enemmän mun mielestä siihen muuhun viestintään laariin kun ihan siihen IR työhön.</p> <p>[Social media] may give us more attention, but then in my opinion this is more a question of other communication rather than pure IR work.</p>
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